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RISKY BUSINESS: RISK TOLERANCE IN U.S. ARMY SPECIAL FORCES

by

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This research looks at the issue of risk tolerance, and analyzes its role in U.S. Army Special Forces (SF). More specifically, it assesses the degree to which senior members of an organization allow junior members to make autonomous decisions, and argues that the unconventional warfare (UW) mission and nature of SF call for a higher degree of risk tolerance than is seen in conventional forces.

A longitudinal case study of the conflict in Afghanistan shows that in 2001 SF had a "long leash" to allow for autonomy and flexibility, which was necessary to succeed in a UW environment. However, by 2006, the leash was shortened and more control measures were implemented. While a "short leash" may be appropriate for a conventional battlefield, it adversely impacts SF effectiveness in a UW environment.

The three main reasons that induce risk aversion in SF leaders are exogenous political factors, organizational considerations including chain of command, and organizational culture, which is reinforced by the current Army officer evaluation system. This analysis suggests that the deleterious impact of these factors needs to be addressed in SF.

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RISKY BUSINESS: RISK TOLERANCE IN U.S. ARMY SPECIAL FORCES

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LIST OF ACRONYMS AND ABBREVIATIONS

ABP	Afghan Border Police
ACOM	above center of mass
ADCON	administrative control
ADP	Army Doctrine Publication
ANA	Afghan National Army
ANP	Afghan National Police
AO	area of operation
AOB	alternate operating base
AR	Army Regulation
ASF	Afghan Security Force
ATV	all-terrain vehicle
BC	battalion commander
CENTCOM	Central Command
CJSOTF	Combined Joint Special Operations Task Force
COL	Colonel
COM	center of mass
CONOP	concept of operations
CSA	Chief of Staff, Army
DA	direct action
DOD	Department of Defense
FID	foreign internal defense
FSO METL	full spectrum operations mission essential task list
GCC	Geographic Combatant Command
GEN	General
GPF	General Purpose Forces
HQ	headquarters
IED	improvised explosive device
JP	Joint Publication
JSOA	joint special operations area
K2	Karshi-Khanabad Airbase, Uzbekistan

KSA	knowledge, skills, and abilities
NSS	National Security Strategy
OEF	Operation Enduring Freedom
OER	officer evaluation report
OPCON	operational control
QRF	quick reaction force
RC	regional command
SCO	U.S. Embassy Security Cooperation Office
SECDEF	Secretary of Defense
SF	Special Forces
SFG(A)	Special Forces Group (Airborne)
SFODA	Special Forces Operational Detachment-Alpha
SITREP	situation report
SOF	Special Operations Forces
SOP	standard operating procedures
SOTF	special operations task force
SWTG	Special Warfare Training Group
TF	task force
UAV	unmanned aerial vehicle
USAJFKSWCS	U.S. Army John F. Kennedy Special Warfare Center and School
UW	unconventional warfare
VSP	village stability platform
VTC	video-telephone conference

I. THE PUZZLE

> "*The characteristic American resentment of authority, dating from the birth of the United States, has undoubtedly influenced command policy in their armed forces and has led to a considerable measure of independence and delegated responsibility at every level*."
>
> — A British Officer Commenting on American Forces in the Second World War[1]

A. INTRODUCTION

Special Forces (SF) have become prominent actors in the recent conflicts in Iraq and Afghanistan. Over twelve years of warfighting, Army SF have been called upon countless times to conduct complex operations (including, but not limited to, killing or capturing high-value targets) in support of conventional "battlespace" owners. While this has produced a generation of SF officers with arguably the most combat experience since the organization's inception, one disturbing ramification seems to be the over-centralization of command that has been engendered in the organization in the last decade. The purpose of this research is two-fold. The first purpose is to introduce a novel set of tools from microeconomic theory to analyze the roles of risk tolerance and degree of centralization in optimizing organizations to their environment. The second purpose is to use these tools to explore the evolution of centralization within SF over the course of the Afghanistan conflict. The result of the analysis is to provide recommendations for the SF enterprise in the wake of the Iraq and Afghanistan conflicts, in light of emerging guidance from senior military leadership.[2]

B. BORROWING TOOLS FROM ECONOMIC ANALYSIS

To shed new light on the role of centralization in Army Special Forces, we can perhaps fruitfully borrow models of private firms to assist in our understanding of

[1] Direct quote from a British observer during World War II, cited in Thomas Ricks, *The Generals: American Military Command from World War II to Today* (New York: Penguin Press, 2012), 82.

[2] See CDRUSASOC's vision for SF in "ARSOF 2022," which includes a focus on special warfare that centers on the UW mission.

military organizations. The owner of a firm, while representing and guiding the organization, does not do every task for the firm; instead, it is an entity filled with managers, workers, suppliers, and supervisors.[3] In these organizations, tasks are delegated down to appropriate levels for action. While authority to accomplish tasks can be delegated, responsibility usually is not. The senior leader, or supervisor, is still responsible for his junior leaders, or subordinates, accomplishing various tasks (even when the supervisor holds his subordinates responsible for the success or failure of any task). Therefore, delegating authority can be problematic, especially when the supervisor cannot directly observe the behavior of a subordinate.[4]

An organization's level of centralization and decentralization is determined by the level to which decision making authority is delegated.[5] Whether an organization is more centralized or more decentralized not only determines the level at which decision making authority is located, it also determines how much "control" supervisors feel they need to impose on subordinates to ensure they are accomplishing their tasks to the standard required by that supervisor. For the purposes of my research, I equate decentralization and junior leader/subordinate "autonomy" as one and the same. The more decision making authority the junior leader/subordinate has, the more autonomy he has.

Decentralization, of course, is necessary in some circumstances. Some organizations in certain environments will succeed better when decision making authority is decentralized to the lowest level appropriate to the situation. Some types of organizations need and allow autonomous behavior by junior leaders. For example, a bank loan officer has the authority to deny or approve loans based on his or her individual judgment, which would result in either a payoff or a loss for the bank. Similarly, Wall Street traders have potential to lose large amounts of their clients' money due to junior leader decision making. These organizations are structured to optimize performance by inducing an appropriate degree of initiative in junior decision makers.

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[3] Oliver E. Williamson, *Economic Institutions of Capitalism* (New York: Free Press, 1985), 15.

[4] Jean-Jacques Laffont and David Martimort, *Theory of Incentives: Principal-Agent Problem* (Princeton, NJ: Princeton University Press, 2001), 11.

[5] Henry Mintzberg, *Organizational Design: Fashion or Fit?* (Boston: Harvard Business Review, 1981), 15.

Incentives have a great deal of importance when one attempts to understand the interaction between entities within the organization. Incentives are important when an organization wants to decentralize because subordinates will respond to incentives (the reward/punishment system established by the organization's leadership and culture). If subordinates are not incentivized to make autonomous decisions in a decentralized organization, then they will not. Similarly, if supervisors are not incentivized to allow subordinates to make autonomous decisions, then they will be less inclined to allow it. This implies a certain level of risk for senior leaders/supervisors to provide for junior leader autonomy and decentralized decision making authority. Risk, of course, must be managed and mitigated.

To build my argument, I apply an informal principal agent (PA) model to the military, in particular to SF in an unconventional warfare (UW) environment. Principal agent theory from microeconomics was developed to help private firms in the business community figure out how corporate leaders should manage subordinates, but PA theory helps illustrate any "task delegation" scenario in any hierarchical organization. PA looks specifically at incentives, from both the principal's and agent's points of view, and how those incentives must be tailored to specific situations. Many PA models utilize formal analyses to demonstrate how both sides (principal and agent) can find equilibrium when faced with problems (such as preference differences and information asymmetry) that can contribute to increased risk aversion, which I will explain in detail in Chapter II. However, here I build an informal PA model, which I adapt to SF conducting their UW mission.

The PA model presented herein helps to highlight the conditions under which leaders may feel the need to tightly control their subordinates. While, some control is necessary at every level of the military, the appropriate level of control for certain environments is what I am attempting to illustrate, highlight, and clarify. I call this control a "leash." The principal always has a leash attached to the agent; the principal controls the agent with this leash. However, the principal has a choice on how tight the leash needs to be. The principal can hold the agent on a "short leash" or a "long leash." The longer the leash, the more leeway or autonomy the junior leader enjoys; the more

decentralized decision making authority rests at his level. However, the most important factor to consider is the level of risk assumed by the principal when he allows a "long leash." A long leash is risky for the principal because the agent may make poor decisions, which can result in mission failure. My thesis focuses, therefore, on identifying the situations when a short leash or a long leash is appropriate.

C. APPLIED TO SPECIAL FORCES IN THE UNCONVENTIONAL WARFARE MISSION

The U.S. military traditionally has a hierarchical and centralized control structure and many aspects of a "machine bureaucracy," or highly rigid organization that is suited to a stable and simple environment,[6] as it was essentially designed to engage in large scale attrition warfare, such as was conducted in World War II.[7] When conducting such heavy force-on-force engagements, there is a limited range of the "possible" and it is easy to create a rigid organizational apparatus of purpose-built subordinate tasks/roles that do not vary widely. A "short leash" is appropriate in this scenario because leaders need to synchronize and control maneuver forces. This may be the best way to maintain control and efficiency in such an operational environment, but it does not respond well to rapid change or uncertainty in the environment.

Unfortunately, the non-state actors that characterize the current threat landscape do not employ large-scale maneuver forces that most state militaries are designed to counter. Furthermore, the nature of unconventional warfare creates an external environment that is both complex and unstable—and the units assigned to operate in them should be designed accordingly. In such a scenario, a "long leash" is more appropriate and junior officers should have a higher degree of autonomy to make decisions. If, however, few incentives exist for senior officers to allow such behavior, a junior officer learns to not make quick decisions and the result is a misfit between the organizational design of a unit, its mission and the external threat environment.

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[6] Henry Mintzberg, *Organizational Design: Fashion or Fit?* (Boston: Harvard Business Review, 1981), 7.

[7] Hy S. Rothstein, *Afghanistan and the Troubled Future of Unconventional Warfare* (Monterey, CA: U.S. Naval Institute Press, 2006), 99.

The UW mission deviates from a conventional mission because it is vague, fuzzy, and complex. UW requires a dedicated effort in a prolonged indirect engagement with the population of the subject state. Doctrine defines UW as "activities to enable a resistance movement or insurgency to coerce, disrupt, or overthrow a government or occupying power by operating through or with an underground, auxiliary, and guerrilla force in a denied area."[8] Doctrine also states that these types of missions carry significant risk and are usually politically sensitive. An enormous amount of planning goes into any UW operation. Doctrine also classifies UW as being "characterized by innovative design" because the method of execution must be creative. SF teams have to convince an insurgent movement to work with them and this would require quick reaction and decision making on the ground.[9]

Through my research I will show that SF are selected and trained to operate in this vague, fuzzy, and complex environment but they need a longer leash to be successful. Further, I argue that UW is a mission that requires a higher level of risk tolerance of the leadership in units conducting that mission. SF is a part of the U.S. military that is supposed to be best suited for uncertainty and complex unconventional warfare environments. Though all U.S. military officers may be of relatively high quality, SF officers have gone through a rigorous selection process and have received specialized training and education for this specific mission and environment.

However, as I will show through empirical analysis presented below, the war in Afghanistan may have pushed SF into a being a "short-leash" organization. A longitudinal case study of the conflict in Afghanistan shows that in 2001 SF had a "long leash" and exercised autonomy and flexibility, which was necessary to succeed in an UW environment. However, by 2006, the leash was shortened and more control measures were implemented. While a "short leash" may be appropriate for a conventional battlefield, it negatively impacts SF effectiveness in a UW environment.

[8] U.S. Dept. of Defense, *JP 3–05 Special Operations*, II-9.

[9] U.S. Dept. of Defense, *ADP 3–05 Special Operations*, 9.

SF's role in the future is likely to be heavily weighted toward UW missions and it will need to regain its "long leash" mentality to work well.[10] I feel this is an important area of study because it is extremely difficult to succeed in a UW campaign without being decentralized. In a UW environment, a headquarters responsible for command and control (C2) of subordinate units has a very difficult time trying to analyze all information available. This is due to the vast nature of UW. Time, distance, individual relationships, rapport, and tribal/cultural understanding are but a few of the variables that need to be understood in a UW environment. In this type of environment, no one is better suited to understand and analyze the information than the agent on the ground. In many cases, he only needs a narrow band of information (his slice) to be successful.

I argue that *current designs for C2 of conventional military operations are incompatible with C2 requirements for UW*. When making decisions, U.S. military leaders always assess risk and try to mitigate any "risk to the mission" or "risk to the force." How much risk a leader is willing to assume is based on his analysis of the situation (both enemy and friendly) and his mission, among many other factors. During conventional military operations, a leader does not need to place himself or the mission at risk through decentralized authority because he keeps his subordinates on a "short leash" through various control mechanisms. However, I argue that in order to be successful in a UW environment a leader must be willing to assume more risk by allowing subordinate autonomy and decentralization because, as I will show, these are critical for success in a UW environment.

Unfortunately, I will also show that leaders in the military today have little incentive to allow such autonomy. My analysis shows that leaders are incentivized to assert more control and to be risk averse, because in recent operational environments a "failure" (such as friendly or civilian casualties) has weighed more heavily than a "success" (establishing a viable "village stability platform" (VSP) or garnering favor with indigenous leaders). I will show that this risk aversion to decentralization can hinder

[10] See CDRUSASOC's vision for SF in "ARSOF 2022," which includes a focus on special warfare that centers on the UW mission.

mission accomplishment and the unit's ability to successfully meet the nation's political and military objectives.

To succeed in a UW environment, we need adaptability and flexibility, but tight control and risk aversion hinder the achievement of mission success. Although the PA model is just a simplified representation of reality, its purpose is to help understand the concept of a leader's risk tolerance level when assessing risk to the mission and troops when he is making decisions.

D. THE DANGER OF RISK AVERSION IN U.S. ARMY SPECIAL FORCES

It is important to examine this puzzle and identify an appropriate level of risk tolerance that will allow SF to optimize its ability to conduct its mission as its UW duties expand. This thesis explores the argument that not allowing junior SF leaders the appropriate level of autonomy to make decisions can create organizational stagnation, reduce operational initiative, and result in a mismanaged human resources system within SF. In other words, risk aversion may develop a force unable to meet its operational requirements and needs. However, this thesis does not advocate the endorsement of risky or reckless behavior for its own sake; it is about the delegation of authority and accepting minimal oversight for operational effectiveness. This requires senior officers to accept more risk to produce potentially significant outcomes.

Furthermore, the 38th Chief of Staff of the Army, General Raymond T. Odierno, recently published his guidance to all U.S. Army leaders. In it, he articulates his five priorities as the Army makes "changes to our institutions and processes to ensure that we are maximizing the limited resources available." His first priority is the need for "adaptive Army leaders for a complex world." He tells us that "[t]he unpredictability so prominent in the contemporary security environment will almost certainly remain a characteristic of the future" and "[i]n this challenging environment, it is essential that our Total Army…be ready to accomplish the range of military operations we are directed to perform."[11] The prescribed way to succeed in such an environment is through "mission command." The definition itself requires seniors to "enable disciplined initiative" and

[11] General Raymond T. Odierno, email message to author, October 16, 2013.

"empower agile and adaptive leaders."[12] To do so, commanders need to provide their subordinates with intent, purpose, desired end state, and above all, resources to accomplish the mission. Subordinates are called upon to exercise "disciplined initiative" and be flexible. The doctrine's six principles of mission command include "build cohesive teams through mutual trust, create shared understanding, provide a clear commander's intent, exercise disciplined initiative, use mission orders, and accept prudent risk."[13] When making decisions, military leaders always assess risk and try to mitigate any risk to the mission or to the force. The relevant question that emerges from this analysis concerns defining the prudent level of risk. If aversion to risk becomes too great, subordinates' initiative is stymied—and the organization as a whole is unable to embody Odierno's directive. If this is true of the Army as whole, it is far more so for SF.

Decentralization is necessary in UW but there is a risk because the principal may have uncertainty over the quality of the agent. In this case, the principal can assume this risk to achieve mission success. Fortunately, the utilization of SF in such a scenario increases the chances of success in a UW effort because of the training and quality of SF "agents." The SF organization was built precisely to produce such high quality agents. The organization needs a C2 structure to support these agents to accomplish the mission. When a principal knows the agent is of high quality, success in UW can be achieved relatively quickly and easily by assuming risk and decentralizing command and control. If, however, the agent is not of high quality then the path to success is longer because it will require more control imposed by the principal.

I must acknowledge that decentralization and JO autonomy are necessary, but not sufficient, conditions to be successful in a UW campaign. This means that without decentralization, UW will most likely fail, but decentralization alone will not produce success. Many other factors are required but that discussion is beyond the scope of this thesis. Also, regarding scope, I am only applying the PA model to the UW mission for

[12] U.S. Dept. of Defense, *Army Doctrine Publication (ADP) 6–0 Mission Command* (Washington, DC: U.S. Government Printing Office, 2012), 1.

[13] U.S. Dept. of Defense, *Army Doctrine Publication (ADP) 6–0 Mission Command* (Washington, DC: U.S. Government Printing Office, 2012), 2.

SF. Direct Action (DA), Special Reconnaissance (SR) and Foreign Internal Defense (FID) are also missions for SF but this thesis will only focus on UW.[14]

The argument presented here is deductive. The necessity for higher risk tolerance in UW environments is a conclusion from the non-controversial premises presented. The case studies selected from Afghanistan generally serve the purpose of showing the evolution to lower risk tolerance within the SF organization. If this empirical analysis is valid, it shows a troubling mismatch between the trajectory of the organization and its future operating environment.

The second half of this first chapter is a review of the literature concerning decisions, organizations, risk, and incentives. These concepts are important to understand because they all evolve to principal agent theory. Each of these concepts builds upon each other, which helps show why I choose principal agent theory to use as my model to illustrate the interaction of military leaders in a UW environment and the implications of their decisions.

E. DELEGATING AUTHORITY TO SUBORDINATES: THEORETICAL APPROACHES

A rich literature concerning leadership decisions, organizational design, incentives, uncertainty, and risk management has been developed in the past six decades to help understand this topic. Each wave of theory has built upon the previous. Decision theory, which formalized the analysis of risk through the use of the concept of utility to assign probabilities and values to alternatives, was introduced in the 1950s.[15] Then organizational theory developed in the 1970s and 1980s to put the problem inside the "sociological/psychological" framework of actual organizations such as firms and bureaucracies. Finally, principal agent analysis, developed in the 1990s and 2000s, is an

[14] U.S. Dept. of Defense, *JP 3–22 Foreign Internal Defense*, ix. defines FID as "participation by civilian and military agencies of a government in any of the action programs taken by another government or other designated organization to free and protect its society from subversion, lawlessness, insurgency, terrorism, and other threats to its security."

[15] Duncan R. Luce, *Individual Choice Behavior: A Theoretical Analysis* (New York: John Wiley & Sons, 1959), 1.

update of decision theory, but actually maps the strategic interaction of the boss and the subordinate by utilizing a specialized form of game theory. I now discuss each in turn.

1. Decision Theory and Organizational Theory

Decision theory focuses on explaining how decisions are made and why leaders make optimal or unbiased decisions.[16] One essential element of decision theory is how to manage uncertainty and risk. Risk management focuses on how to harness uncertainty. Hubbard and Bernstein provide excellent explanations of risk management practices in organizations. Hubbard provides an excellent critique of current, widely accepted, risk management techniques. He explains why the largely qualitative methods are flawed and proposes multiple alternative methods to improve the process of managing risk and harnessing uncertainty.[17] Bernstein's account of the history behind the practice of risk management and its evolution in history provides a solid explanation for why these types of practices are necessary for any organization to prosper.[18] Also, Burton and Obel's discussion of strategic organizational design uses contingency theory as a framework for decision modeling. They focus and discuss how to manage and assess risk. They explain how it is necessary for organizations and leaders to face and incorporate risk but reiterate that leaders must do it intelligently.[19]

Organizational theory focuses on the internal dynamics of such entities, and seeks to ascertain which organizational designs optimize performance. There are different lenses that can be used to analyze organizations, such as viewing the structure, human

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[16] Chris Arney, Robert Bumcrot, Paul Campbell, Joseph Gallian, Frank Giordano, Rochelle Wilson Meyer, Michael Olinick, and Alan Tucker, "Chance: Decision Theory" in *Principles and Practice of Mathematics* (New York: Springer-Verlag, 1997), 539–550. Decision theory is a mathematical model system to help people make an optimal decision in extremely complex environments. It uses math to assign probabilities to each alternative present in any given situation. The decision maker then uses the mathematical model to choose the best alternative of the given set. This theory assumes that a rational actor will want to choose the alternative with the most utility or value. The theory is useful because it helps illuminate the differences in various alternatives that may not be visible otherwise.

[17] Douglas Hubbard, *The Failure of Risk Management: Why It's Broken and How To Fix It* (Hoboken, NJ: John Wiley & Sons, Inc., 2009), 3–4.

[18] Peter Bernstein, *Against the Gods: The Remarkable Story of Risk* (Hoboken, NJ: John Wiley & Sons, 1998), 1–2.

[19] Richard M. Burton, and Borge Obel, *Strategic Organizational Diagnosis and Design: Developing Theory for Application 2nd Ed* (Dordrecht: Kluwer Academic Publishers, 1998), 107–124.

resource system, culture, and political viewpoints. March's analysis of organizations centers on the system's ability to either explore or exploit learning opportunities. His definition of exploration includes risk taking, innovation, and flexibility. His definition of exploitation includes efficiency, execution, and implementation. He believes that organizations will be suboptimal if they focus on one over the other too much, and organizations must strive to best balance these competing processes.[20] Mintzberg provides an excellent explanation of how organizations are designed and how each of their parts must fit each other to maximize payoff. Mintzberg's analysis of the five different organizational configurations, different coordination mechanisms, and the five different parts of an organization help illuminate how leaders should design their organizations for optimization in their individual environments.[21] Daft's explanation of organizational design is used to show how the environment (stable or unstable and simple or complex) influences an organization. Analyzing the environment where the organization exists is critical to find goodness of fit. Daft defines the organizational environment "as all elements that exist outside the boundary of the organization and have the potential to affect all of part of the organization." Along the same lines, Daft's discussion on how to measure goal achievement (mission success) by using different approaches (goal, resource based, internal process, or stakeholder) is important.[22] These approaches, though insightful, fail to focus on the role of incentives and monitoring between superior and subordinate. We now turn to authors who specifically analyze the interaction between people and why they do what they do.

2. The Role of Incentives

North discusses the role of institutions within an economic development framework and how they change in relation to the incentive structure of the economy. Incentives drive change and development. North also discusses how institutional

[20] James March, "Exploration and Exploitation in Organizational Learning," *Organization Science* 2, no. 1 (1991), 71–87.

[21] Mintzberg, *Organizational Design*, 2–12.

[22] Richard Daft, *Essentials of Organization Theory and Design* (University of New Hampshire: South-Western Thomson Learning, 2003), 82.

development could result in a path-dependent pattern.[23] Schein explores the role of incentives in organizations, which he explains are more than simple extrinsic rewards like a monetary bonus, but include intrinsic rewards that will depend on the individual.[24] Kerr does an excellent job articulating the problem when there is a difference between what managers want and what individuals are rewarded for. An example Kerr uses to emphasize his point is the difference between the incentives of a World War II soldier and a Vietnam soldier. A soldier in the Second World War knew he was fighting until the war was over. The Vietnam soldier knew he had to survive for his tour of duty (12 months). The World War II soldier had incentives to fight hard so that the war may be won earlier whereas the Vietnam soldier had incentives to survive and get through his tour, regardless of how much effort he put into the war.[25]

The theories identified in this literature review highlight how organizations and leaders should act, depending on their mission and environment. Common to all is that a senior official may be able to induce behavior and get what he wants from a subordinate. If the incentive of senior leaders is to not reward autonomy, then the culture of the organization will reflect it. This could result in a mismatch for an organization that exists in an unstable and complex environment.

F. THE PRINCIPAL–AGENT APPROACH TO ANALYZING THE PUZZLE

To better illuminate the interrelationship of theory and practice, this thesis incorporates microeconomics in an attempt to discuss the nature of how rational actors deal with their subordinates. Laffont and Martimort explain the "principal-agent problem" and how the incentive structure of an organization is central to designing how principals (or leaders) get their agents (or subordinates) to act the way they want them to. They explain how leaders should create an optimal contract with subordinates that details how rewards are earned. Rational actors make decisions for reasons that fit with their

[23] Douglas North, *Institutions, Institutional Change and Economic Performance (Political Economy of Institutions and Decisions)* (Cambridge, UK: Cambridge University Press, 1990), 3–9.

[24] Edgar H. Schein, *Organizational Culture and Leadership* (San Francisco, CA: Jossey-Bass, 1997), 144–146.

[25] Steven Kerr, "On the Folly of Rewarding A, While Hoping for B," *Academy of Management Review* 18, no. 4 (1975), 771.

utility model. Agents will respond to their organization or bosses. The reaction by a boss to the action by an agent will dictate how the organization will respond to certain behavior. If the agent is punished for a certain decision or action, then the same type of behavior will be avoided in the future and that will shape the culture of the organization.[26]

This principal-agent framework from microeconomics gives us new insights. It was developed to help private firms in the business community figure out how corporate leaders should manage subordinates, but this approach is only barely being tapped to help understand military organizations. One exception is Feaver's book *Armed Servants*, in which he develops his "agency theory" to the study of civil-military relations.[27] Feaver uses the principal-agent approach to study how civilian bureaucratic/political leaders (principals) control the military agent. For simplicity, his approach characterizes the principal as the civilian leadership, which includes the President of the United States, Congress, the Office of the Secretary of Defense, and the offices of the Service Secretaries. The agent is characterized as the entire military, which is represented by senior military officers such as the Chairman of the Joint Staff and the Service Chiefs.[28] In a democracy, civilians control the military but the military has coercive power. On one extreme, the state needs to be protected from military defeat by a foreign power. A strong

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[26] Laffont and Martimort, *Incentives*, 13. The theory of incentives seeks to explain why people act the way they do. The theory originated in micro-economics and is currently one of the leading theoretical discussions in the economic field today. The theory is a general combination of contract theory, agency theory, and mechanism design. The theory of incentives explores how information problems create issues for the principal when creating a contract with an agent.

[27] Peter D. Feaver, *Armed Servants: Agency, Oversight, and Civil-Military Relations* (Cambridge, MA: Harvard University Press, 2003), 13. Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations* (Cambridge, MA: Harvard University Press, 1957) as quoted in Feaver, *Armed Servants*, 2,9,13.Huntington provides the classical model of how the military interacts with civilian leadership. His "civil-military relations theory" focuses on non-material incentives and rewards for the reasons why the military is subordinate to civilians. He believes the non-material concept of professionalism is the cornerstone for why the military concedes to political leaders. Especially in the United States, military agents would consider directly countering civilian leaders as unprofessional behavior. Furthermore, Huntington's theory has survived for over forty years because it is grounded in democratic theory, which emphasizes civilian control of the military. Feaver believes Huntington's classical approach is not sufficient and proposes his agency theory as an alternative. Feaver's rationalist approach considers both material and non-material incentives. The material factors include the cost of the principal monitoring the agent's behavior and the likelihood of the principal punishing the agent for "shirking" or not doing exactly what the principal would like the agent to do.

[28] Feaver, *Armed Servants*, 13–14.

military to protect the state is required. However, on the other extreme, a strong military also increases the ease of a military coup against the civilian leadership. Feaver's "agency theory" explains the paradox between protection from a coup and battlefield defeat.[29]

Similarly, Blanken and Lepore use a principal-agent model to explain strategic assessment efforts within the military. Their article highlights the principal-agent framework where the principal consists of civilian and military leadership (i.e., Washington, DC) and the agents are members of the military engaged in operations. In the case of strategic assessments, military principals utilize certain metrics to measure progress and effectiveness of military agents. There is much pressure on military principals to provide information regarding progress in any military campaign. This is especially true during the Afghanistan campaign from 2001 to the present. Therefore, Blanken and Lepore examine how the selection of metrics impacts the incentive structure for the agent. They argue that the agent's behavior will be dictated by the metrics. Certain agents will conduct behavior to seek a certain metric rather than engage in behavior that might contribute to accomplishing the overall strategic and operational mission. Overall, Blanken and Lepore's use of the principal-agent framework as it pertains to military organizations and assessments is useful to explain how the framework explains senior leader risk tolerance for junior leader autonomy in this thesis.[30]

This evolution of the research on the relationship between senior leaders and subordinates is important. It shows that the actors in both roles are often driven by dynamics within their organization as much as the desire to accomplish goals in the external environment. This is crucial for the present research question, as such a form of analysis will provide actionable recommendations for optimizing the internal workings of the SF organization to better pursue the UW mission.

[29] Feaver, *Armed Servants*, 7.

[30] Leo Blanken and Jason Lepore, "Performance Measurement in Military Operations," *Defence and Peace Economics* forthcoming (2013), 4–6.

G. ROADMAP

In the next chapter, an informal model using principal-agent theory is developed to help illustrate how this microeconomic approach will be useful in determining military leader to subordinate leader relations. Then, Chapter III's empirical analysis will connect the model to reality. The cases chosen are two discrete time-periods taken from the conflict in Afghanistan. These provide a longitudinal analysis in which the key factor considered is allowed to vary. In other words, one time period features SF units allowing their junior a "long leash" (higher degree of subordinate autonomy), while the second features a "short leash" (lower degree of subordinate autonomy). This analysis highlights the impact of such variation on unit performance. The conclusion in Chapter IV will provide some policy recommendations and avenues for future research.

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II. RISK TOLERANCE AND SUCCESS IN UNCONVENTIONAL WARFARE

A. THE ESSENTIAL ARGUMENT OF RISK

This chapter will now create an informal principal-agent model and then generate some arguments concerning risk tolerance in SF. When making decisions, military leaders always assess risk and try to mitigate any risk to the mission or to the force. The central argument in this thesis is that when senior SF commanders have a higher risk tolerance allowing decentralization and delegating junior officer decision making authority, SF organizations will be more effective in a complex and uncertain UW environment. In essence, this argument is derived from two assumptions: the agent is of *high quality* and has *privileged access to relevant local information.* If both of these criteria are met, then a decentralized system of decision making is superior to one of rigid control in a UW operational environment. An agent's relevant local information (also called "private information") can be characterized as the knowledge and understanding of a village, people, terrain, environment, culture, etc., at that particular time in that particular situation. He has better insights, knowledge, and situational awareness than anyone else. In this case, the agent should have more autonomy to make decisions and resources should be allocated to him for this purpose. However, the agent can make mistakes; the agent can go too far or go in a policy direction not in line with the principal's vision.

The principal may therefore feel that he must impose some sort of control on the agent to ensure he stays in line with the principal's intent. The control measures reduce autonomy of the subordinate and decrease the risk to the superior and to the mission. Principals may feel incentivized to impose strict control measures on their agents because of the principal-agent relationships above them doing the same. However, I argue that opportunities and initiative can be lost. Therefore, given the nature of its agents and mission, SF principals must resist this temptation to control agents tightly, especially in an unconventional environment where flexibility and adaptability determine success. However, this thesis does not advocate the endorsement of risky or reckless behavior for

its own sake; it is about the delegation of authority and minimizing oversight to junior levels, which requires senior officers to accept more risk as a consequence.

By utilizing the insights of principal-agent theory, I will show the mechanisms by which the degree of centralization should be set/calibrated. The principal-agent model can highlight the incentive structure of any organization. One organization's structure could work well for one environment but not the other. The organization's "principal" (senior leader) imposes the acceptable level of risk tolerance. The "agent" (junior leader) responds accordingly and conducts actions representative of the type of behavior rewarded by the organization.

First, this section introduces the two players involved in the principal-agent interaction. Next, the assumptions regarding how the principal-agent model is tailored to military organizations are listed. Then, preferences of the principal and agent, an essential paradigm of the principal-agent framework, are discussed, along with the implications of asymmetrical information or private information when it is held by one or both sides. These divergent preferences and asymmetrical information creates problems between the principal and the agent, and the principal has the option of imposing costly monitoring and punishment mechanisms to ensure compliance. An analysis of possible monitoring and punishment mechanisms conclude this section.[31]

1. The Principal

There is a "boss" (principal) who wants some goal accomplished. In the military, this command authority is explained in ADP 6–0 *Mission Command* so the term "mission command" will encompass both the formal rules and procedures of the organization and the individual's leadership and their command style.[32] Senior leaders can influence junior leader behavior through incentives (reward and punish system). Utilizing the principal-agent framework, in a military context, the principal is any senior military officer and the

[31] Feaver, *Armed Servants*, 54.

[32] U.S. Dept. of Defense, *ADP 6–0 Mission Command*, 1. Mission command is defined as the "exercise of authority and direction by the commander using mission orders to enable disciplined initiative within the commander's intent to empower agile and adaptive leaders in the conduct of unified land operations."

agent is any junior military officer. Using the doctrine of "mission command," the principal-agent framework exists in any leader-subordinate relationship in the military. This relationship can exist at any level, from the team leader to the overall commander. Furthermore, the principal consists of the individual's leadership and command style along with the rules and standard operating procedures (SOP) of the unit. The principal's guidance and direction are derived from the actual commander and the organization's rule structure.

2. The Agent

Also incorporating the doctrine of "mission command," the agent is the subordinate leader of the principal. They are both in the same chain of command and the agent reports directly to the principal. Again, the agent can exist at any level from a team leader to the overall commander. Furthermore, the subordinate (agent) wants to "look good" and "do a good job" because he values personal gain and career progression.[33] The agent does this by responding to the principal's reward system. The agent considers both intrinsic and extrinsic rewards. In military units, intrinsic rewards are considered more important than extrinsic rewards. Intrinsic rewards can include peer recognition, additional tasks, increased responsibility, increased autonomy, and trust. Extrinsic rewards can include good evaluations, promotions, medals and awards. Similarly, punishments can be classified as bad evaluations, passed over for promotion, bad reputation among peers, nonselection for key assignments, increased oversight, and decreased autonomy.

3. Assumptions

The principal, as the leader, has a goal or objective but he cannot always do it himself. He therefore delegates the task to his subordinate agents. His agents do some service for him, and in order to motivate them, he utilizes an incentive system. Also, this thesis assumes that:

[33] Brent Clemmer, "Aligned Incentives: Could the Army's Award System Inadvertently be Hindering Counterinsurgency Operations?" (master's thesis, Naval Postgraduate School, 2009).

- All military leaders are rational actors and place a high utility value on "mission success"
- All military leaders consider themselves either a principal or an agent; a leader can be both simultaneously depending on interaction up or down the chain of command[34]
- Agents possess relevant local information that the principal cannot know[35]
- An organization's proper fit to its environment will increase mission success

In accordance with mission command doctrine, the principal is required to provide his intent, purpose, desired end state, guidance, training, and mentorship to the agent, so he is in the best position to make the right decisions. The principal provides the "what and why" of the mission, not the "how." Likewise, the agent is expected to be successful. The mission should be successfully accomplished with a minimal waste of resources (people, equipment, money, and time). As such, the principal needs to control the military agent but not so much as he interferes with him conducting his mission. The military agent wants autonomy to conduct his mission but he cannot violate the direction of the principal.[36] An agent's preferences and relevant local information advantage creates choices for the agent that may not be in line with the principal. These preferences influence an agent's decision process when deciding whether to work or shirk.

4. Working and Shirking

The traditional principal-agent framework of "working" and "shirking" can explain the interaction between the agent and the principal. However, we must clarify the definition of shirking as not doing exactly what the principal would like. It does not mean the agent is lazy or insubordinate. In economics, shirking means to avoid work because a rational economic actor wants to do the least amount of work for the most pay, however, this paradigm does not translate to the military, due to non-tangible factors such as

[34] Feaver, *Armed Servants*, 97.

[35] Rothstein, *Afghanistan*, 108. For example, in the early years of OEF, the reason for autonomy given to SF was no one higher (principals in Washington, DC) knew any better method. They had no choice but to give that SF Commander autonomy so this could be considered forced decentralization.

[36] Feaver, *Armed Servants*, 2.

professionalism. Shirking in the military is when the agent does not follow the principal's direction exactly. The more the agent deviates from the exact intention of the principal, the more it is shirking.[37]

5. Preferences and Information

The reason for this "shirking" is the agent might believe he has a better method or course of action for a particular military problem. He might not believe that the principal's choice of action is appropriate for a particular situation. In this case, the agent has an information advantage over the principal due to his geographical position. Essentially, the agent shirks when he disagrees over the means rather than the ends, which separates a military focused principal-agent approach with traditional economic principal-agent approaches.[38] Therefore, I will highlight some additional assumptions regarding the agent's preferences.

The military agent has three categories of preferences when interacting with a principal. Those preferences, while not mutually exclusive, are mission accomplishment, professional reward, and autonomy.[39] He has specific preferences for mission accomplishment because it may involve life or death. The agent has to conduct the task; he is closest to the action, so he has a vested interest. The agent might know a better or best method for the task due to his position so close to the actual action. Also, the agent might need to change quickly, innovate, adapt, or overcome obstacles. Therefore, if the military agent does not agree with a particular decision made by the principal, the military agent is guilty of shirking.[40] Secondly, the agent has preferences as to how his behavior may be professionally rewarded by his superior and peers. The principal writes his evaluations, which are directly correlated to his future. Also, how peers view the agent is extremely important. The culture of the military places an important value on

[37] Feaver, *Armed Servants*, 3.

[38] Feaver, *Armed Servants*, 59–60.

[39] Feaver, *Armed Servants*, 63.

[40] Feaver, *Armed Servants*, 62–64. A famous example of shirking can be found in General Douglas MacArthur's interaction with President Harry Truman. President Truman evidentially fired MacArthur for his "shirking" behavior.

honor and professionalism among one's peer group.[41] In sum, the agent does not want a bad reputation within the organization because it could be detrimental. Finally, the agent has a preference for how the principal monitors his behavior. The agent does not want to be micro-managed by the principal; most theories utilizing the principal-agent approach indicate that the agent values autonomy to make decisions and implement those decisions the way the agent see fit.[42] Based on these preferences, shirking becomes possible because the principal has different preferences. Shirking can occur because although the principal and agent both want what is best for the unit, they may disagree on the method or means to reach a desired outcome (mission success).

A central reason an agent's preferences can differ from the principal's preferences is asymmetrical information between the two. The agent might have more local information than the principal because in an SF unconventional environment, the agent is on the ground and knows the situation intimately. Usually, the principal really only knows what the agent, or other agents, tell him. The agent in this case might feel he is best suited to make a decision concerning events unfolding on the ground so an information asymmetry exists because the principal really has no way to know if the military agent intends to shirk or not.[43] Furthermore, an agent's relevant private information can illuminate fleeting opportunities, which can be lost unless a quick decision is made. The agent is the only person with this information, which can be characterized as the knowledge and understanding of a village, people, terrain, environment, culture, etc., at that particular time in that particular situation. In such conditions, the agent should have wider autonomy to make decisions and resources should be allocated to him for this purpose. In this case, the private information the agent has can result in success only if the principal gives him autonomy; as the principal cannot verify that information and its "worth"—it would have to trust the agent to get the job done.

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[41] Feaver, *Armed Servants*, 63–64. Classic civil-military relations use this preference as the most important factor in explaining how civilians control the military.

[42] Feaver, *Armed Servants*, 64.

[43] Feaver, *Armed Servants*, 70.

The principal also has his own preferences. Since agents have a wide range of options they can choose from for any particular task or objective; the agent can either work or the agent can shirk. Whenever the principal provides autonomy to the agent, a wide range of outcomes can be expected. In a situation where the agent enjoys complete autonomy with no interference from the principal, two extremes, from negative to positive, can result from this autonomy. On the negative extreme, complete autonomy can result in bad decisions by the agent. The agent can misuse or misallocate precious resources. The agent can violate the intent of the principal (violate mission command doctrine). The agent might disrupt adjacent unit actions and interfere with other teams or U.S. entities trying to achieve some goal. The agent might empower the enemy through his mistakes, and this could result in mission failure. The agent could embarrass his unit, his service, his government, and his nation. Worst of all, the agent can get his soldiers killed. On the positive extreme, an autonomous agent can discover innovative and creative solutions to any task or situation. The agent can find a better use of resources. The agent can capitalize on superior information from his position so close to the action, which may prove crucial to mission success.

The principal also has information that is unknown to the agent. Only the principal knows how much value he will put upon any specific activity and how much risk he will assume to achieve a specific outcome. The principal may judge risk differently and that judgment is impossible to know in advance. His judgment can change rapidly and often. The principal will provide the military agent with "orders" but as events evolve so may the principal's preferences and judgment of risk. The agent may be working at first, but might be shirking when the principal adjusts his decisions or judgments, their preferences thereby change, and the result is information asymmetry.[44] Also, the principal might have a better view of the bigger picture. The principal can see other units either nearby or far way and how their actions can interfere with the agent. The principal also might have better information on interagency or other governmental efforts. Furthermore, war is rare and the military agent does not get to demonstrate its true "type" to the principal. Although training exercises promote readiness, there is no

[44] Feaver, *Armed Servants*, 69.

replication of real combat where the military agent might lose; the enemy always has a say in the outcome. The principal will never really know how effective the agent is until actual battle where the stakes are much higher; lives can be lost and the state may be defeated.[45] Finally, the principal would be the first to discover if his superior (his own principal) changes his intent or guidance. This would have a cascading effect on all principal agent relationships below them on the military hierarchy.

6. Monitoring and Control Mechanisms

These information asymmetries, coupled with different preferences between the principal and the agent, create conditions for problems between the principal and the agent. The agent's private information is a problem because a principal rewarding autonomous activity could lead to "cowboy" behavior, but the principal will have to take that risk for mission accomplishment (if that local/private information coupled with agent initiative is crucial for mission success). Therefore, the principal has the option to impose control and monitoring mechanisms to mitigate the effects of these problems that can occur when the principal and agent have private information and preferences for outcomes. These controls can be either intrusive or non-intrusive depending on how much the principal believes the agent will work or shirk. In an unconventional environment, the principal can monitor the agent's behavior through the mission approval process, reporting requirements, direct interference with the mission, and micro-managing the agent. As part of the mission approval process, the agent is required to plan any activity. That plan must then be briefed to the principal for approval. This is one of the principal's primary control measures. Since an agent is shirking when he is doing something outside of the intent of the principal, the military agent is shirking when he conducts some type of tactical action, uses different tactics or methods, that was not part of the principal's approved plan. There can be many cases where the agent is working at first, but events unfold, and the agent ends up shirking. On a small scale, the agent, being rational, wants to get the most reward for the least amount of work. However, in this military context, the agent, being professional, might want to complete the task in a

[45] Feaver, *Armed Servants*, 70.

manner or method that differs from the principal's direction. In either case, the agent is shirking. The principal, on the other hand, wants to create a contract to get the maximum amount of work from the agent with the least amount of shirk. After the principal decides on how much he wants to either non-intrusively or intrusively monitor the agent, the agent decides how much to work or shirk based on his own value of how different his preferences are from the principal. Also, the agent will evaluate how much possible punishment from the principal will affect his value of shirking.[46]

Furthermore, problems can occur when the agent chooses to shirk rather than work and the agent provides information to the principal that indicates superior performance. In this case the principal cannot monitor the actual behavior and must rely on outcome orientated factors to judge the performance of the agent. Therefore, the shirking agent will use whatever monitoring effort by the principal to put forth their best performance, even though the monitoring effort may not indicate actual performance.[47] Effective monitoring mechanisms should create performance incentives that "pull" the agent in the right direction (as he strives to look good to the boss, he is doing good work).[48] A problem occurs when the agent only conducts actions that will result in a promotion and not necessarily increase the military's likelihood of success in combat. In an unconventional environment, this occurs when the agent is only telling his principal what he wants to hear. The agent is not articulating true results from the ground. This can change the principal's idea of what is really happening. The principal cannot monitor the

[46] Feaver, *Armed Servants*, 96, 103, 118, 180. As a result, six possible outcomes emerge when an agent decides either to work or shirk under intrusive or non-intrusive conditions and expect punishment from the principal. First, the agent can work under a principal's non-intrusive monitoring systems. Second, the agent can shirk under non-intrusive monitoring systems and expect punishment from the principal. Third, the agent can shirk under non-intrusive monitoring systems and not expect punishment from the principal. Fourth, the agent can work under intrusive monitoring systems. Fifth, the agent can shirk under intrusive monitoring systems and expect punishment from the principal, and sixth, the agent can shirk under intrusive monitoring systems and not expect punishment from the principal. For example, during the Cold War, the military (agent) worked under the principal (civilian government) intrusive monitoring systems because the costs of monitoring were low and the agent expected punishment if it was caught shirking. Conversely, after the Cold War, during the Clinton Presidency, the military (agent) shirked under the principal's (civilian government) intrusive monitoring systems because the external environment changed and the agent perceived weakness within the principal, which created low expectations of punishment for shirking.

[47] Feaver, *Armed Servants*, 55.

[48] Blanken and Lepore, "Performance Measurement in Military Operations," 4–6.

agent's actual behavior and he can only tell if his is effective from his reports and any operational outcomes.[49]

B. SPECIAL FORCES AND GENERAL PURPOSE FORCES: ATTRIBUTES AND ENVIRONMENTS

To develop the argument that risk tolerance for decentralization should match mission environment, this section discusses the two different types of organizations that exist in the U.S. Army. One type of organization is the conventional General Purpose Forces (GPF). The other type is the Army's Special Forces (SF). A quick discussion of how organizations either focus on internal "machine bureaucracy" processes or external "adhocracy" processes will illuminate the differences in the two organizations. I will argue that inward-orientation characterizes GPF, while external-orientation characterizes SF. While on opposite ends of a spectrum, both focuses and processes are appropriate to each organization's mission and environment.[50] Then I discuss the different attributes of each and what each type of organization is built to do. This will help highlight the environments and missions that can either fit or not fit with various risk tolerance arrangements.

Military organizations have two choices when presented with a task and they do not have much information, which creates uncertainty. The organizations can either increase their "information-processing capacity" or they can restructure their organizations to be able to accomplish the task with less information than is needed.[51] An organization that decides to increase its information-processing capacity will create a

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[49] Laffont and Martimort, *Incentives*, 147, 256. A good example of this type of problem is the auto insurance industry. Insurance companies provide policies to drivers who may say they are good drivers. The insurance company has no real way to know if they are good drivers or not but can make an assumption based on past performance. The driver has private knowledge of how good a driver he is and the insurance company would expect the driver to drive well and not be reckless. However, the company cannot observe the driver's action. The company can change the contract after an accident or something similar, but until then, the driver can drive reckless for a long period of time before the company knows what the risk really was. Therefore, the reckless driver has an incentive to portray himself as a good driver so he can get insurance. The good driver has less of incentive to portray himself any differently because he knows he is a good driver. Similarly, the reckless driver will continue to drive reckless because he knows insurance will cover any damages.

[50] Edward N. Luttwak, "Notes on Low-Intensity Warfare," *Parameters* (Dec 1983), 333–342.

[51] Van Creveld as quoted in Rothstein, *Afghanistan*, 102.

complex centralized highly-informational command and control structure that attempts to minimize uncertainty. The other organization will deal with the fact that uncertainty exists and adapt based on individual situations. This organization will be flexible, adaptable, and decentralized.[52] States tend to organize their conventional militaries in the former organizational model because they have a large amount of resources at their disposal. Vast resources do not necessitate accomplishing tasks with minimal personnel, technology, or equipment. Large resource intensive organizations are structured to maximize their internal processes because the mission, hierarchy, division of tasks and labor, and staff functions all require intensive "mechanistic" processes to be efficient. In these organizations, the changing external environment is a secondary focus because the internal processes are developed first. Organizations that organize to accomplish tasks with minimal information, on the other hand, are usually forced into this configuration because of no other choice. They analyze their external environment and develop missions, tasks, and functions based on this. This results in a flexible organization that can change and adapt as quickly as the environment.[53]

1. General Purpose Forces: Unit Attributes

The conventional U.S. Army GPF is an internal-process-driven "machine bureaucracy." The size of the Army requires control measures so commanders can direct young soldiers easily through clear simple rules and discipline. It is this way because it is structured to fight the "American way of war," which is massing firepower against a symmetrical enemy.[54] The U.S. Army GPF is extremely proficient when facing a visible enemy on a linear battlefield. New technology, precision weapons, and top-of-the-line equipment make the U.S. military a formidable foe. Furthermore, the Army's training and leader development doctrine outlines the Army's force generation policy and guidance. In it, the Army builds combat units through a "progression of training and mission preparation." This ensures units are ready to deploy to combat and accomplish the

[52] Rothstein, *Afghanistan,* 104.

[53] Rothstein, *Afghanistan,* 142.

[54] Rothstein, *Afghanistan,* 3, 142.

Army's mission. To ensure uniformity among units, mission essential task lists are developed and used by leaders as a measure of performance. "The Chief of Staff, Army (CSA) directed the Army-wide implementation of standardized full spectrum operations mission essential task list (FSO METLs) down to brigade level. The FSO METL is based on the tasks the unit was organized and designed to perform."[55] Machine bureaucracies also use standardized processes to ensure uniformity among subordinate units in order to maximize efficiency.

2. Special Forces: Unit Attributes

However, unconventional environments differ significantly from a conventional battlefield. Success may depend on using unconventional methods and forces. The U.S. Army SF is supposed to be the force that can conduct unconventional warfare (UW), which focuses on working with and through indigenous forces.[56] In situations where UW is the best course of action to counter a threat, kinetic force may not be the best option and a holistic approach may be necessary. Instead of focusing on merely engaging enemy combatants, the enemy's culture, strategy, background, economic and political considerations, and psychology should be taken into account.[57] To accomplish this "indirect" approach, the organization must recognize and reward unorthodox actions instead of easily measurable kinetic effects like "body count."[58] Furthermore, the best organizational configuration would be an externally focused decentralized "adhocracy-type" entity capable of adapting to rapidly changing external events and threats.

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[55] U.S. Dept. of Defense, *Army Regulation (AR) 350–1 Army Training and Leader Development* (Washington, DC: U.S. Government Printing Office, 2011), 1.

[56] U.S. Dept. of Defense, *JP 3–05 Special Operations*, II-9. *ADP 3–05 Special Operations*, 9. Unconventional warfare is considered "activities to enable a resistance movement or insurgency to coerce, disrupt, or overthrow a government or occupying power by operating through or with an underground, auxiliary, and guerrilla force in a denied area." Doctrine also states that these types of missions carry significant risk and are usually politically sensitive. An enormous amount of planning goes into any UW operation and would require specific authority to do so. Doctrine also classifies UW as being "characterized by innovative design" because the method of execution must be creative. SFODAs have to convince an insurgent movement to work with them and this would require quick reaction and decision making on the ground.

[57] Rothstein, *Afghanistan*, 155.

[58] Rothstein, *Afghanistan*, 137–138.

Of course, leadership has an enormous role in how effective the organization can be. A typical army leader receives education and training throughout his entire career. The vast majority of army leaders acquire base-line knowledge, skills, and abilities (KSA) that are fairly standardized. When making decisions, military leaders always assess risk and try to mitigate any risk to the mission or to the force. However, as each leader progresses through his career, the organizations that each officer will be a part of can be vastly different. Two different organizations, one SF and the other GPF, have different missions and are meant to operate in two different threat environments. Therefore, the leader attributes that are valued by each organization should also be different. Also, before being allowed to work in a SF organization, SF leaders receive extra training, which highlights the specific attributes valued by SF. Candidates for SF must first undergo an extensive evaluation, and if they qualify, they then attend training and qualification, which may take an average soldier up to two years to complete. Historically, the majority fails to meet the selection and assessment criteria because SF have strict quality control mechanisms as they seek the best candidates. Evaluation criteria stress innovative thinking, problem-solving, and "human domain" related judgment activities. SF students are evaluated and trained in a specific job, such as weapons, communications, demolitions, or medical so they become an expert in their respective field, which is a force multiplying asset. Students must also complete an intensive language, area orientation, and cultural training course, as well as a survival and capture resistance course before ever reporting to their operational Special Forces units. The purpose of this extra training is to prepare soldiers to successfully operate in an ambiguous UW environment.[59]

3. The Conventional Warfighting Environment

Conventional war is often characterized by a linear battlefield in which massive firepower can be focused and applied upon a visible enemy. The enemy's command

[59] Special Forces soldiers are trained by the 1st Special Warfare Training Group (1st SWTG) within the U.S. Army John F. Kennedy Special Warfare Center and School (USAJFKSWCS) at Fort Bragg, North Carolina. Instructors are all prior Special Forces team members and most have extensive experience in the Groups. These instructors rotate from operational Special Forces Groups to the school in order to teach real world applicable skills and keep the school's curriculum current.

structure, logistical support, and maneuver elements can be systematically destroyed, which will result in a victory. In this organization and environment, orders are detailed and command is centralized; information flows down. Many maneuver elements need to be coordinated so control is necessarily restrictive. Uniformity between units and soldiers is critical for successful control. Standard operating procedures help ensure conformity within this system to ensure efficiency of output.[60] Conventional forces are built to operate in this type of environment. It has a hierarchical and centralized control structure and many aspects of a "machine bureaucracy" with internally-focused processes because it was essentially designed to engage in large scale attrition warfare, such as were conducted in World War II.[61] When conducting such heavy force-on-force engagements, there is a limited range of the "possible" and it is easy to create a machine of purpose-built subordinate tasks/roles that do not vary widely. This may be the best way to maintain control and efficiency in a large organization, but it does not respond well to change or uncertainty in the environment.

4. The Unconventional Warfighting Environment

The unconventional warfare mission set requires a dedicated effort in a prolonged indirect engagement with the population of the subject state. This requires an organizational culture that values and rewards indirect action.[62] Information flows up in this decentralized flexible organization. Military leaders receive information from the bottom where soldiers are conducting UW missions in remote locations. The agent accomplishes their tasks based on general guidance and intent of their superiors. Such an agent requires vast amounts of training and education in order to be trusted with this mission. Senior officers assume risk because of the amount of autonomy provided to junior leaders. This structure is necessary in the unconventional warfighting environment

[60] Mintzberg, *Organizational Design*, 7.

[61] Hy S. Rothstein, *Afghanistan and the Troubled Future of Unconventional Warfare* (Monterey, CA: U.S. Naval Institute Press, 2006), 99.

[62] Rothstein, *Afghanistan*, 178.

because the threat is ambiguous and complex.[63] Furthermore, the number of threats to the U.S. by non-state actors, either terrorist or insurgent, and the technology that supports their movements is at a higher level than ever before. U.S. interests and its role as a large conventional power is a mismatch to the environment in which these complex threats exist. Non-state actors typically use indirect approaches, effective because of their decentralized nature, which makes it difficult for western governments to counter.[64]

C. THE ASSESSMENT

A military principal has a choice along a spectrum between "directive command" and "restrictive control" as he directs and guides his agent.[65] Under directive command, the principal allows agent autonomy because decision making is decentralized. Subordinate commanders receive intent and an end-state. They are provided resources and are expected to complete their mission using initiative, flexibility, and intuition. A key aspect is the importance of training, mentorship, and education needed so they will succeed. On the other end of the spectrum, decision making is centralized under a restrictive control paradigm. Orders are detailed and emerge from a central command. Subordinate commanders are expected to follow orders exactly. This rigid system ensures conformity among all subordinate commands and commanders. This helps mitigate potential problems in a highly complex operation that requires detailed planning and synchronization. Reality does not exist at either extreme of this spectrum but will fit

[63] U.S. Dept. of Defense, *Joint Publication (JP) 1–02 Department of Defense Dictionary of Military and Associated Terms* (Washington, DC: U.S. Government Printing Office, 2013), 146. Joint Publication 1–02 defines irregular warfare as "a violent struggle among state and non-state actors for legitimacy and influence over the relevant populations. The joint pub goes on to say that irregular warfare can use either indirect or asymmetric approaches to conflict as well as direct means to destroy an opponent's will to fight. Irregular warfare becomes "complex" when its defeat requires a wide variety of agencies. Complex Irregular Warfare cannot be countered by military means alone; it must be countered with the full range of options available to the United States. The fact that it is complex means there is no simple solution to the problem. The method in which the U.S. counters this threat must also be complex.

[64] Frank G. Hoffman, "Hybrid Warfare and Challenges," *Joint Forces Quarterly* 52 (2009), 34–39.

[65] Martin Van Creveld, *Command in War* (Cambridge, MA: Harvard University Press, 1985), 269 as quoted in Rothstein, *Afghanistan*, 103–105. Van Creveld describes two types of command and control. The first type is one extreme where the central authority knows everything and presents perfect orders. The second type is the other extreme where the unit, in a forward location, knows everything, and they have the autonomy to do what is required. The correct balance on this spectrum depends on the individual situation. Furthermore, resources need to go to the lowest level where the knowledge and situational awareness reside. Although the senior officer is assuming risk, a way to mitigate risk is to ensure the junior officer is prepared for the task.

somewhere in-between the two extremes.[66] However, the idea of directive command closely resembles "mission command" as described in ADP 6–0 and as required in General Odierno's vision. Highly adaptive leaders to counter ambiguous threats are necessary for the U.S. to win. Furthermore, decentralized decision making, in custom situations (as every situation is different), works best when senior commanders cannot understand what is really going on. These senior commanders should accept risk in allowing decentralization. In other words, leaders should provide their subordinates with a "long leash" to allow for the autonomy and flexibility required to succeed in a UW environment.

Special Forces are designed to be autonomous entities that conduct unconventional warfare. Flexibility, trust, initiative, teamwork, and discipline are all attributes that will win on this type of battlefield. However, principal-agent literature indicates that superiors (principals) will control or monitor subordinates (agents) in order to reduce the informational problems that exist between a superior and subordinate. When agents have relevant local private information and different preferences, control measures are necessary from a principal's point of view to mitigate those problems. The level of control is the factor that each principal can adjust based on the individual mission, environment, and context. Special Forces units conducting unconventional warfare are usually conducting such a mission far from the unit's commander, perhaps in a foreign country with a semi-permissive environment. The level of control imposed on the SF unit by the commander will dictate how much autonomy the SF unit actually has.

As previously mentioned, SF conducting unconventional warfare require autonomy. The agent must build trust with the principal in order to receive the reward of autonomy. The principal must ease control of the agent to provide autonomy. The danger, of course, exists when the agent fails and the principal is blamed. The principal becomes the agent of his own superior officer. The superior blames the junior for the failure and

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[66] Martin Samuels, *Command or Control? Command, Training and Tactics in the British and German Armies, 1888–1918* (London: Frank Cass & Co, 1995), 5–6. The period between World War I and World War II is useful to highlight the differences between directive command and restrictive control. The German Army closely resembled a directive command system and the British Army resembled a restrictive control system.

this effect ripples through the entire chain of command. This fact reduces the principal's incentive to ease control mechanisms and allow autonomy for the agent. The principal is incentivized to increase control and decrease autonomy. This problem is compounded due to the multiple layers of principal-agent relationships and problems that exist in any military chain of command. One principal-agent problem between one superior and one subordinate can turn into nine principal-agent problems up the chain of command: from the lowest unit leader to the Chairman of the Joint Chiefs of Staff or U.S. government civilian authorities. This results in a misfit between what organizational theory calls for in a complex uncertain environment. The organization and mission command become obtuse and inflexible.

I argue that *current designs for C2 of conventional military operations are incompatible with C2 requirements for UW*. When making decisions, U.S. military leaders always assess risk and try to mitigate any "risk to the mission" or "risk to the force." How much risk a leader is willing to assume is based on his analysis of the situation (both enemy and friendly) and his mission, among many other factors. During conventional military operations, a leader does not need to place himself or the mission at risk through decentralized authority because he keeps his subordinates on a "short leash" through various control mechanisms. However, I argue that in order to be successful in a UW environment a leader must be willing to assume more risk by allowing subordinate autonomy and decentralization because, as I will show, these are critical for success in a UW environment.

D. CASE SELECTION

I chose Afghanistan as my case study because it is a particularly relevant case of UW where the PA model is especially well delineated. Afghanistan is not meant to be representative of all SF missions around the world. Rather the empirical cases were selected for two reasons. First, Afghanistan is an intrinsically important case; almost every leader in SF today has been in Afghanistan at some time during the past fourteen years, and subsequently this conflict will have an inordinate impact on the structure and culture of the organization. Their experience in Afghanistan, and the way control was

imposed by leaders on SF units, will have implications on the way they view proper control in the future. Second, the cases chosen provide a reasonable longitudinal pre-test/post-test design, in which a multitude of potentially confounding factors are controlled for, while the key factor under consideration (leash length) is allowed to vary.

Therefore, I apply the PA model to SF units in Afghanistan in 2001 and 2006. A longitudinal case study of the conflict in Afghanistan shows that in 2001 SF had a "long leash" to allow for autonomy and flexibility, which was necessary to succeed in an unconventional warfare (UW) environment. However, by 2006, the leash was shortened and more control measures were implemented. While a "short leash" may be appropriate for a conventional battlefield, it negatively impacts SF effectiveness in a UW environment.

Although the period in Afghanistan from 2002–2005 was extremely rich with various degrees of risk acceptance and risk tolerance by principals at all levels, the next time period considered within this thesis is 2006 because the author has personal experience in Afghanistan during this time period.

SF missions in Afghanistan in 2001 were conducted in an environment that was complex and unstable, which means there were many variables that affected the SF unit and those variables changed quickly. The SF unit was conducting its UW mission working with and through an indigenous force. There was a high level of risk tolerance by senior leaders (principals), which provided ample autonomy to the junior leaders on the ground (although they had no other choice). SF missions in Afghanistan in 2001 are an example of a "long leash" operation.

SF missions in Afghanistan in 2006 were also conducted in an environment that was complex and unstable, with many variables affecting the SF unit and those variables changed very quickly. The SF unit was conducting a blend of its UW and FID mission. There was a low level of risk tolerance by senior leaders (principals) and all missions had to be approved at extremely high levels. Resources were centralized and controlled by a senior authority and junior leaders on the ground were not provided very much autonomy. SF missions in Afghanistan in 2006 are an example of a "short leash"

operation. It is important to note that although the control measures imposed by principals in 2006 were required based on the environment, I focus on the problems imposed on the agent's autonomy due to the principal's lack of incentive to allow decentralization. Afghanistan in 2006 highlights this aspect and it is used as a case study because most SF leaders today have been exposed to that environment and must be warned not to replicate it in a future UW campaign.

In the following chapter, each of these case studies will be explored using the principal-agent model developed for SF leaders, units, missions, and environments. First I will discuss the background and environment, followed by the unit and mission, and then explain the actors. I will describe the principal and agent and discuss their preferences and information asymmetries. Next I will discuss the principal's monitoring and control mechanisms and finally the analysis will focus on the principal's use of mission command to influence the behavior of the agent.

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III. THE CASE OF CHANGING RISK TOLERANCE IN AFGHANISTAN

This case study will analyze two time periods in the same environment (2001 and 2006) using the informal principal agent model formed in Chapter II. The first case study describes SF units operating in Afghanistan in 2001 and the second case study involves SF units operating in Afghanistan in 2006.

A longitudinal case study of the conflict in Afghanistan shows that in 2001 SF had a "long leash" to allow for autonomy and flexibility, which was necessary to succeed in an unconventional warfare (UW) environment. However, by 2006, the leash was shortened and more control measures were implemented.

Although the period in Afghanistan from 2002–2005 was extremely rich with various degrees of risk acceptance and risk tolerance by principals at all levels, the next time period considered within this thesis is 2006 because the author has personal experience in Afghanistan during this time period.

Afghanistan is not meant to be representative of all SF missions around the world. Rather the empirical cases were selected for two reasons. First, Afghanistan is an intrinsically important case; almost every leader in SF today has been in Afghanistan at some time during the past fourteen years, and subsequently this conflict will have an inordinate impact on the structure and culture of the organization. Their experience in Afghanistan, and the way control was imposed by leaders on SF units, will have implications on the way they view proper control in the future. Second, the cases chosen provide a reasonable approximation of a longitudinal pre-test/post-test design, in which a multitude of potentially confounding factors are controlled for, while the key factor under consideration (leash length) is allowed to vary.[67]

[67] On this design technique, see Gary King, Robert E. Keohane, and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton: Princeton University Press, 1994), 221-223, and Leo J. Blanken, *Rational Empires: Institutional Incentives and Imperial Expansion* (Chicago: University of Chicago Press, 2012), Ch.5.

A. SF MISSIONS IN AFGHANISTAN IN 2001

SF missions in Afghanistan in 2001 were conducted in an environment that was complex and unstable, which means there were many variables that affected the SF unit and those variables changed quickly. The SF unit was conducting its UW mission working with and through an indigenous force. There was a high level of risk tolerance by senior leaders (principals), which provided ample autonomy to the junior leaders on the ground (although they had no other choice). SF missions in Afghanistan in 2001 are an example of a "long-leash" operation.

1. Background and Environment

On October 19, 2001, two U.S. Army Special Forces Operational Detachment-Alpha (SFODAs 555 and 595) from 5th Special Forces Group (Airborne) (SFG(A)), infiltrated by helicopter into remote locations in Afghanistan and proceeded to link up with Afghanistan's Northern Alliance leaders to destroy the Taliban regime that was harboring al-Qaeda terrorists who were responsible for the September 11, 2001 attacks on the World Trade Center in New York and the Pentagon in Washington, DC.[68]

These SFODAs reported to their next higher U.S. command structure in neighboring Uzbekistan at the Karshi-Khanabad Airbase (K2) where COL John Mulholland,[69] the commander of 5th SFG(A), arrived and assumed command of "Task Force (TF) Dagger," which was comprised by the 5th SFG(A) SFODAs and supporting units. From October until December 2001 when the Taliban regime collapsed, COL Mulholland reported directly to General Tommy Franks, Commander U.S. Central Command, via a daily video-telephone conference (VTC).[70] Throughout November 2001, additional SFODAs were inserted into Afghanistan and linked up with other Northern Alliance warlords as they maneuvered against Taliban forces.

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[68] Rothstein, *Afghanistan*, xiii.

[69] Now Lieutenant General Mulholland.

[70] Rothstein, *Afghanistan*, 108.

2. The Units and Mission

Prior to deploying, the SFODAs developed their plans and studied Afghanistan's tribes, terrain, and language. The SFODAs on the ground in Afghanistan were linked up with Northern Alliance leaders and their "armies," one SFODA for each Northern Alliance "warlord," to defeat the Taliban. The SFODAs were to conduct "special operations" with and through the Northern Alliance army. The method was unconventional warfare (UW).[71] During this time period in Afghanistan, SFODAs were conducting decentralized operations and were provided a high degree of autonomy. The SFODAs, using broad operational guidance and intent from their superiors, conducted small unit actions in a complex and dynamic environment.[72] The SFODAs were required to build trust with the indigenous force. However, the actual conduct of combat operations against the Taliban took a very conventional approach because the SFODAs were conducting "direct action."[73] The SFODAs guided precision munitions from U.S. air platforms onto Taliban ground targets that presented themselves in a linear formation in an open battlefield. The SFODAs destroyed the Taliban formations just like a conventional GPF unit would do. However, the infiltration and link up with the indigenous force made this engagement unconventional.

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[71] U.S. Dept. of Defense, *JP 3–05 Special Operations*, II-9. *ADP 3–05 Special Operations*, 9. Unconventional warfare is considered "activities to enable a resistance movement or insurgency to coerce, disrupt, or overthrow a government or occupying power by operating through or with an underground, auxiliary, and guerrilla force in a denied area." Doctrine also states that these types of missions carry significant risk and are usually politically sensitive. An enormous amount of planning goes into any UW operation and would require specific authority to do so. Doctrine also classifies UW as being "characterized by innovative design" because the method of execution must be creative. SFODAs have to convince an insurgent movement to work with them and this would require quick reaction and decision making on the ground.

[72] Rothstein, *Afghanistan*, 99.

[73] U.S. Dept. of Defense, *JP 3–05 Special Operations*, II-5. *ADRP 3–05 Special Operations*, 2–5. Direct action is defined as "short-duration strikes and other small-scale offensive actions conducted as a special operation in hostile, denied, or politically sensitive environments and which employ specialized military capabilities to seize, destroy, capture, exploit, recover, or damage designated targets." Doctrine mentions that DA is different from a conventional offensive operation by the degree of risk involved, techniques utilized, and use of force applied.

3. The Principal and the Agent

During this timeframe, minimal layers of principal-agent relationships existed. One relationship consisted of General Franks as the principal and COL Mulholland as the agent. Another principal-agent relationship consisted of COL Mulholland as the principal and his various subordinates, including the SFODA commanders, as the agents. However, since COL Mulholland, as commander of 5th SFG, represented the entire Army SF presence in Afghanistan, I consider COL Mulholland and the SFODAs as the only agent in this analysis. Therefore, only the relationship between GEN Franks and "SF" is analyzed. Also, the fact that minimal layers of principal-agent relationships existed minimized the amount of principal-agent problems. COL Mulholland conducted a daily VTC with GEN Franks. COL Mulholland asked for resources and GEN Franks directed those resources to him. Usually, multiple units compete with each other for resources and the principal (in this case GEN Franks) must analyze and allocate resources according to his preferences. With 5th SFG as the only unit, resource allocation was easy for the principal.[74]

In accordance with mission command doctrine, GEN Franks, as principal, provided his intent, purpose, and desired end state (the "what and why" of the mission) to his agent. GEN Franks did not provide the "how." The agent is expected to be successful and the mission should be successfully accomplished with a minimal waste of resources (people, equipment, money, and time). Time was of the essence because senior U.S. government officials, including SECDEF (GEN Frank's principal) wanted results against the Taliban quickly. Also, more importantly, the principal did not really have any other choice but to provide autonomy to his agent due to the agent's possession of relevant local information.

4. Preferences and Information

In October 2001, the principal's and agent's preferences were almost identical. They both wanted, generally, immediate results and minimal friendly casualties. This similarity of preferences reduced the chances of "shirking" by the agent. The principal's

[74] Rothstein, *Afghanistan*, 136.

preferences included that the agent will work (align itself with the principal) and the agent will be effective. The agent's preferences were mission accomplishment and professional reward. While, of course, the principal's preferences also included mission accomplishment, the important part of this preference was that both principal and agent preferred the same method to gain mission accomplishment: SFODAs would partner with their indigenous force and eliminate all enemy targets using the weapons and technology available.

However, there was a large information asymmetry, which has potential to create principal-agent problems. The SFODAs possessed relevant local information because in this unconventional environment, the agent was the only U.S. DOD entity on the ground with the warlords. GEN Franks was heavily dependent on the SFODAs to provide information and judgments on the next course of action. This bottom-up information flow put CENTCOM in a receiving mode rather than a directing mode. The SFODAs were distributed throughout Afghanistan and demonstrated the effectiveness of small, low cost distributed operations.[75]

The SFODAs had the knowledge and understanding of the situation on the ground. In this case, the agent had complete autonomy to make decisions and resources were allocated to him for this purpose because the principal knew that the "special" information the agent had can result in success only if the principal gives him autonomy. The principal could not verify that information and its "worth," so he trusted the agent to get the job done.

5. Monitoring and Control Mechanisms

The principal did not feel a need to impose intrusive monitoring and control mechanisms on the agent (he was not incentivized to do so). Also, there were not many monitoring and control mechanisms to choose from. The limited monitoring options were not ideal for the principal but due to similar preferences between the principal and agent, the information asymmetry was not a big enough factor to incentivize intrusive control mechanisms. The principal used a VTC for daily interaction with the agent where both

[75] Rothstein, *Afghanistan*, 128.

could discuss events, resources, intent, guidance, and direction. The agent provided his relevant local information to the principal, which gave the principal measures of progress toward his goal.[76]

Also, the principal could utilize different forms of technology to receive updates on the agent's progress. For instance, he could view satellite imagery to see Taliban troop movements (if they were retreating, it was a sign of positive progress). Also, the air platforms in theater could provide battle damage assessments after they dropped their ordnance. However, these sources of information were not as reliable or rich as the SFODAs actions and observations. The SFODAs were small and agile; they moved with the Afghan factions on horseback or ATVs. They had small portable computers with them that allowed them to send reports and talk to their principal. This technology allowed them to be flexible and adaptable because they were not tied to any particular location.[77]

6. Analysis

The mission command structure between the principal and agent was direct with minimal interference; minimal layers of interaction resulted in few processes and minimal bureaucratic interference. As the agent enjoyed autonomy, with minimal interference from the principal, the principal is worried that, on the negative extreme, this autonomy can result in bad decisions by the agent where the agent puts effort toward the wrong goal, loses precious resources, or even violates the principal's intent. However, in Afghanistan in 2001, SF and GEN Franks had similar preferences and the autonomy provided to the SFODAs resulted in the teams discovering innovative and creative solutions to the situation they were in. GEN Franks provided a "long leash" to SF (although he really did not have any other choice). They found the best use of their minimal resources and capitalized on their superior information from their position so close to the action, which proved crucial to mission success.[78]

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[76] Rothstein, *Afghanistan*, 136.

[77] Rothstein, *Afghanistan*, 167.

[78] Rothstein, *Afghanistan*, 140.

The situation and mission in Afghanistan in 2001 was dynamic and complex. The principal accepted a large amount of risk by allowing autonomy for his agent but the uncertain environment required flexibility, adaptability, and autonomy. The principal's choice of command and control resembled "directive command" where the agent receives intent and end-state, is provided resources, and are expected to complete their mission using initiative, flexibility, and intuition. This closely resembles "mission command" as described in ADP 6–0 and as required in General Odierno's vision because highly adaptive leaders to counter indirect threats are necessary for the U.S. to win.

The principal knew that rewarding autonomous activity could lead to "cowboy" behavior, but that risk was necessary for mission accomplishment because that local information coupled with agent initiative was crucial for mission success. Overall, the agent chooses whether to work or shirk based on his own preferences and how much he believes the principal will punish him for shirking. In Afghanistan 2001, the agent worked under the principal's non-intrusive monitoring systems.[79] The principal had no other options for monitoring but since the agent's preferences were similar, the agent worked. This was both effective and efficient in this unconventional environment.

Although the period in Afghanistan from 2002–2005 was extremely rich with various degrees of risk acceptance and risk tolerance by principals at all levels, the next time period considered within this thesis is 2006 because the author has personal experience in Afghanistan during this time period.

[79] Feaver, *Armed Servants*, 96, 103, 118, 180. As a result, six possible outcomes emerge when an agent decides either to work or shirk under intrusive or non-intrusive conditions and expect punishment from the principal. First, the agent can work under a principal's non-intrusive monitoring systems. Second, the agent can shirk under non-intrusive monitoring systems and expect punishment from the principal. Third, the agent can shirk under non-intrusive monitoring systems and not expect punishment from the principal. Fourth, the agent can work under intrusive monitoring systems. Fifth, the agent can shirk under intrusive monitoring systems and expect punishment from the principal, and sixth, the agent can shirk under intrusive monitoring systems and not expect punishment from the principal. For example, during the Cold War, the military (agent) worked under the principal (civilian government) intrusive monitoring systems because the costs of monitoring were low and the agent expected punishment if it was caught shirking. Conversely, after the Cold War, during the Clinton Presidency, the military (agent) shirked under the principal's (civilian government) intrusive monitoring systems because the external environment changed and the agent perceived weakness within the principal, which created low expectations of punishment for shirking.

B. SF MISSIONS IN AFGHANISTAN IN 2006

SF missions in Afghanistan in 2006 were also conducted in an environment that was complex and unstable, with many variables affecting the SF unit and those variables changed very quickly. The SF unit was conducting a blend of its UW and FID mission. There was a low level of risk tolerance by senior leaders (principals) and all missions had to be approved at extremely high levels. Resources were centralized and controlled by a senior authority and junior leaders on the ground were not provided very much autonomy. SF missions in Afghanistan in 2006 are an example of a "short-leash" operation. It is important to note that although the control measures imposed by principals in 2006 were required based on the environment, I focus on the problems imposed on the agent's autonomy due to the principal's lack of incentive to allow decentralization. Afghanistan in 2006 highlights this aspect and it is used as a case study because most SF leaders today have been exposed to that environment and must be warned not to replicate it in a future UW campaign.

1. Background and Environment

By early 2002, the Taliban was disposed and U.S. sponsored Northern Alliance forces assumed control of the country. Also in 2002, the conventional U.S. Army GPF assumed command in Afghanistan.[80] SF increased its presence in Afghanistan and formed a Combined Joint Special Operations Task Force (CJSOTF). Each SFODA established a base of operations throughout the country and organized, paid, trained, and advised their own Afghan force, called the Afghan Security Force (ASF) that could fight the enemy. In 2006, the Afghan Security Force (ASF) was demobilized because it was considered a militia and not under the control of the central Afghan government like the Afghan National Army (ANA), Afghan National Police (ANP), and Afghan Border Police (ABP). Also, by 2006, JSOAs were removed and the country was divided up into AOs with GPF battalion commanders as "battle-space owners."

SFODA commanders were under a SF chain of command, which included first the AOB commander, then SOTF commander, and finally CJSOTF commander. The

[80] Rothstein, *Afghanistan*, 99.

CJSOTF commander reported to the U.S. Forces Commander. However, GPF battalion commanders "owned" the battle space and SFODAs operated within their "AO." Although no formal command relationship existed, the SFODA and GPF Battalion would informally coordinate, share intelligence, and support each other's operations when they could; it was a mutually supporting relationship. The AOB usually coordinated at the Battalion's parent Brigade and SOTF coordinated at the Brigade's parent Division, which made up the HQ of the Regional Command (RC), which reported to the U.S. Forces Commander.

2. The Units and Mission

In 2006, SF was rotating SFODAs every eight months, although some SF soldiers stated they would prefer to stay longer because after 3–4 tours, they noticed that progress made in the first tour would be lost by the fourth and they would have to start over again.[81] The mission had transitioned to largely a FID focus with the Afghan forces.[82] SFODAs partnered with various Afghan forces (whoever was near their "firebase") and conducted missions against targets developed from intelligence gained from the population in the local area.

However, the overall U.S. strategy focused on "attrition" rather than maneuver due to presence of GPF commanding all U.S. Forces in the theater.[83] SF was incorporated under this complex command and control arrangement and was provided little autonomy. The increase in process and bureaucracy slowed the decision cycle for everything.[84]

3. The Principal and the Agent

In this time period, there were multiple layers of principals and agents, even though the GPF HQ sought to maintain one chain of command so it could "better

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[81] Rothstein, *Afghanistan*, 118. Interview with soldiers.

[82] U.S. Dept. of Defense, *JP 3–22 Foreign Internal Defense*, ix. defines FID as "participation by civilian and military agencies of a government in any of the action programs taken by another government or other designated organization to free and protect its society from subversion, lawlessness, insurgency, terrorism, and other threats to its security."

[83] Rothstein, *Afghanistan*, 99.

[84] Rothstein, *Afghanistan*, 100.

control" U.S. forces in Afghanistan. By 2006, more units started to arrive in Afghanistan and every U.S. military organization had the same purpose, which was to defeat the enemy. Therefore, each U.S. military organization sought to defeat the enemy by capitalizing on their unit's training, structure, and people. As more units arrived, they all had to compete with each other for resources and the principal had to analyze and allocate resources according to his preferences.[85]

This case study will focus on two layers of principal-agent relationships. The first is the relationship between SFODA commanders and the SF commander and the second is the relationship between the SFODA commanders to the GPF battlespace battalion commanders.

When discussing the relationship between SFODA commanders and the SF commander, the agent is the actual SFODA commander and the principal will include the hierarchal chain of command above the SFODA commander (AOB, SOTF, and CJSOTF). The AOB, SOTF, and CJSOTF commanders were steps in the hierarchy and provided various levels of support to the SFODA, but they can be generally treated as one "principal" in this discussion.

The second relationship, SFODA commanders and GPF battlespace battalion commanders, will classify the agent as the actual SFODA commander and the principal as that GPF Battalion Commander (BC), who according to mission command guidance from the overall commander of all U.S. forces in Afghanistan, "owned" the battlespace where the SFODA operated. Although the SFODA was under no "official" command relationship with the GPF BC, success on the battlefield usually relied on a good relationship (working instead of shirking).

4. Preferences and Information

Starting in 2002 and apparent in 2006, the assumption of command by GPF increased the gap between the principal's and agent's preferences. Also, information asymmetry increased tremendously. Both the principal and agent still had a preference

[85] Rothstein, *Afghanistan*, 136.

for mission accomplishment. However, the methods to achieve such differed greatly, which increased the number of problems between the two.

The agent's preferences were still mission accomplishment, professional reward, and autonomy.[86] Mission accomplishment was especially important because it validated the agent's efforts. No one wanted to do something if it did not contribute to the overall war effort, especially if it was dangerous and put soldiers at risk. The SFODA commander's relevant local information was characterized as the knowledge and understanding of a village, people, terrain, environment, and culture. The agent was the only person with this "special" information at that particular time in that particular situation so he usually knew a better or best method for the task due to his position so close to the actual action. Furthermore, the agent's preference for autonomy was strong. The agent did not want to be micro-managed by the principal because the agent felt the need to change quickly, innovate, adapt, and overcome obstacles.

In 2006, the agent had an information advantage over the principal due to his position on the ground. Based on that, the agent should have been granted more autonomy to make decisions and resources should have been allocated to him for this purpose. Sometimes the "special" information could have resulted in success only if the principal gave him autonomy. These preferences influenced the agent's decision to shirk more than work. The reason for this "shirking" is the agent knew he had a better method or course of action based on his special information. The principal could not verify that information and its "worth" so the principal was incentivized to control rather than allow autonomy.

The agent now gets torn between his desire for what he "knows" will bring mission accomplishment at his level and his preferences for professional reward. He values professional reward because the principal writes his evaluations and has a direct influence on the rest of the agent's career. More importantly, the agent values professionalism and it is considered unprofessional to openly counter one's principal. It

[86] Feaver, *Armed Servants*, 63.

behooves the agent to align his preferences with the principal, even if it diminishes the value of activities on the ground that may result in "mission accomplishment."

The principal's preferences started to change when GPF assumed command in 2002. The risk tolerance of principals decreased in the years between 2002 and 2006 due to these changed preferences. Principals were not incentivized to risk allowing subordinates autonomy. Instead, they were incentivized to implement control measures to ensure agent preferences align with their own preferences.

As the information gap between the principal and agent grew, the principal began to value various activities differently and varied how much risk (to mission and to force) he might assume to achieve a specific outcome. His judgment of risk changed rapidly and often, usually based on the judgment of risk by his own principal.

The higher up the principal sat on the chain of command, the further he was removed from actual activities on the ground being conducted by the agent. Therefore, the "value" of the agent's activity, while extremely important to the agent, lost its value the higher up the chain of command.

Although every principal in Afghanistan wanted mission accomplishment, the internal-process driven "machine bureaucracy" organization of the conventional U.S. Army GPF hindered its progress. For example, the size of the force required control measures so commanders could direct young soldiers easily through clear simple rules and discipline. It is this way because it is structured to fight the "American way of war," which is massing firepower against a symmetrical enemy.[87] In a linear battlefield, tangible objectives are easy measurements on the road to victory. Captured terrain and enemy "kills" are tangible objectives that GPF like to measure because it fits with their mission. However, in 2002, after the Taliban defeat, the threat became unconventional. The GPF principals failed to adjust to this unconventional environment where the population is the center of gravity.[88] The U.S. continued to work with large conventional formations, holding terrain, and using firepower against suspected enemy targets.

[87] Rothstein, *Afghanistan*, 3, 142.

[88] Rothstein, *Afghanistan*, 152.

In Afghanistan, non-tangible factors like population acceptance of their own government are true measures of success and progress. Since these non-tangible factors are so hard to measure, it is no surprise that the costs and benefits are so different in this environment than in an environment where the enemy is seen and can be destroyed marking progress. An agent will want to achieve mission success and will go to great lengths to achieve a "success" but the principal judges that the benefit of some minor military activity is just not worth the cost of even one U.S. life. Therefore, since a "success" in Afghanistan is given such low value, the risks to achieve that "success" are not worth it. The principals along the chain of command feel this way so they impose control measures to minimize risk because any "failure" has huge political ramifications, which could be a single death or capture of a U.S. service member. This type of fail is considered catastrophic and way too dire to have any kind of benefit so a principal's utility function will choose decisions that minimize risk and maintain the status quo.

This increase in risk aversion is due to exogenous factors within the political nature of U.S. government and military. The political climate that exists in all levels of government creates risk aversion throughout the entire entity. The principal-agent relationship, and its problems, at the smallest unit level is a result of the principal-agent relationship at the highest levels of government.

5. Monitoring and Control Mechanisms

Even though the principal knew he should increase his risk tolerance because the agent's local/private information coupled with agent initiative could be crucial for mission success, the principal had no incentive to do so. Therefore, the principal wanted to impose control and monitoring mechanisms to mitigate the effects of problems that can occur when the principal and agent have private information and preferences.

In 2006, Afghanistan's unconventional environment, the principal monitored the agent's behavior through the mission approval process (concept of operations (CONOPs)), reporting requirements (situation reports (SITREPs)), direct interference

with the mission (technology and force protection requirements), and micro-managing the agent (punishment).[89]

The large internal-process-driven GPF organization needed strong control measures to ensure all organizations in Afghanistan were aligned with the principal's preferences for control, which was necessary to synchronize complex operations.[90] The principal had a preference for unity of effort, which he gained by ensuring all subordinate units provided information on their activities using situation reports (SITREPs) and concept of operations (CONOPs). Senior principals wanted information and control of subordinates was the way to provide that information.

These control mechanisms were due to the GPF headquarters (HQ) needing to satisfy its own principal's (SECDEF) information requirements. GPF were incentivized to control subordinate units because they were expected to know and report on the subordinate unit activities. They could not let subordinate autonomy and initiative, flexibility, and adaptability get ahead of the GPF HQ knowledge.[91] Also, smaller staffs near the bottom of the chain of command could not keep up with the information requirements and ended up spending all their time and resources gathering and processing "old" information to report than was spent gathering and processing "new" information to use in targeting the enemy.[92]

Force protection requirements were another control mechanism. Armored vehicles were required to minimize risk to soldiers but it decreased the chances of obtaining surprise against the enemy. This control mechanism showed how the principal preferred to avoid a "failure" rather than gain a "success." The "failure" had more weight than the "success" in his decision analysis. Force protection measures such as this, while decreasing the physical risk to soldiers and the political risk to principals, actually reduced the effectiveness of interaction with the population, which decreased intelligence

[89] Rothstein, *Afghanistan*, 14. For example, in 2002, General McNeill assumed command of operations in Afghanistan and declared that he will "get everyone under control."

[90] Rothstein, *Afghanistan*, 114.

[91] Rothstein, *Afghanistan*, 114.

[92] Rothstein, *Afghanistan*, 110.

gathering. It increased the risk to mission. Intelligence was really only gathered during combat operations, which built mistrust among the population, which negatively affected mission accomplishment.[93]

The CONOP approval process was another control mechanism. As part of the mission approval process, the agent is required to plan any activity. That plan must then be briefed to the principal for approval. This is one of the principal's primary control measures. Since an agent is shirking when he is doing something not within the direct knowledge of the principal, the SF agent is shirking when he conducts some type of tactical action, uses different tactics or methods, that was not part of the principal's approved plan. There can be many cases where the agent is working at first, but events unfold, and the agent ends up shirking.

The principal had to approve any activity so in order to leave firebases and conduct operations, the agent would submit a CONOP for every type of operation; from deliberate combat operations to simply moving around outside the firebase talking to locals and gathering intelligence. The agent would explain exactly what he was going to do, including why it needed to be done, and include all risk mitigation methods for the activity. The "riskier" the activity, the higher up the chain of command it could be approved. The principal required this information so external assets could be requested and provided to the SFODA for the operation or activity. Synchronization between other units was often necessary to prevent fratricide. However, this requirement created a delay from when the CONOP was submitted to when the SFODA would receive mission approval. Furthermore, the multiple layers between an SFODA commander and the principal with approval authority increased the "staffing timeline."[94]

Technology was another control mechanism. Evolving technology increased the level of centralization because senior principals would feel like they knew exactly what was happening on the ground because they could watch it over a UAV feed. This provided a principal, who already has an incentive to control, with an opportunity to

[93] Rothstein, *Afghanistan*, 111.

[94] Rothstein, *Afghanistan*, 110.

further micro-manage an agent. This might have created a false sense of knowledge at the central HQ level and led to believing that the agent might not possess any "special" information at all. His information advantage of local relevant information was reduced by such technological advances.[95]

These monitoring and control mechanisms are extremely important for any type of military operation. CONOPs and SITREPs are designed to provide the principal help when allocating resources and making decisions. However, the content and level of detail for each demonstrated the decreasing level of risk tolerance in the organization.

6. Analysis

Problems occurring when preferences do not align is further complicated when the agent has to satisfy multiple principals. In 2006, the SFODA Commander had his own SF chain of command and he had a GPF BC battle-space owner. The agent might get conflicting information from these two principals. For example, the SFODA Commander might want to conduct an operation that was a high risk to soldiers. The SF chain of command might approve such an operation but the GPF BC might voice concerns (because he is not used to assuming such risk for his own subordinate companies). The SFODA is torn between conducting his mission, which he sees as contributing directly toward mission accomplishment, and succumbing to the GPF principal's preference of risk aversion, which will maintain the level of "informal relations" between the two. If the SFODA conducts the operation, the relationship will be damaged and future cooperation and support will be reduced.

This is a problem because the GPF BC is often in a position to support the SFODA more than the SFODA's own chain of command. The GPF BC has valuable resources such as transport helicopters, attack helicopters and a quick reaction force (QRF) for the area of operation (AO). The SF chain of command can deliver the same resources but each SFODA has to compete for those limited resources. Also, both principals want instant information and updates, especially during a combat engagement, but communication assets are limited. The agent knows reporting to the GPF BC will

[95] Rothstein, *Afghanistan*, 132.

provide quicker QRF and immediate results, but he is directed to report to his SF chain of command. The SFODA Commander will want to do what his SF chain of command wants, in order to be professionally rewarded, but has more incentive to follow the GPF principal's preferences due to increasing the value of his own preference for mission accomplishment and security.

In 2006, SF principals were incentivized to be just as risk averse as GPF principals. Dismounted patrols were discouraged because principals wanted soldiers within support distance of mounted heavy weapons at all times. This limited a SFODA's ability to maneuver against the enemy but it was within the principal's risk tolerance. In Afghanistan in 2006, GPF were the dominant part of the U.S. organization and dictated the organizational culture. SF's mission and roles blended into that culture. This contributed to the "conventionalization" of SF as most SF leaders adapted because they valued professional reward.[96]

The situation and mission in Afghanistan in 2006 was still dynamic and complex. However, the principal was not incentivized to accept a large amount of risk by allowing autonomy for his agent. Even though the uncertain environment required flexibility, adaptability, and autonomy, centralized decision making was required to maintain control among all subordinate agents. The principal's choice of command and control resembled "restrictive control" where orders are detailed and emerge from a central command. Subordinate commanders are expected to follow orders exactly. This rigid system ensures conformity among all subordinate commands and commanders. This paradigm does not resemble "mission command" as described in ADP 6–0 and as required in General Odierno's vision where highly adaptive leaders countering indirect threats are necessary for the U.S. to win. SF was under "short-leash" control. However, it must be emphasized that Afghanistan was an anomaly for SF. SF currently operate in over 80 countries and those missions allow much higher degrees of discretion to junior leaders. The key take-away is to not institutionalize the "short leash" observed in Afghanistan.

[96] Rothstein, *Afghanistan*, 142.

The tight command and control paralyzed agents' initiative.[97] Multiple layers of command hierarchy, coupled with increased bureaucracy and "staff processes," created a highly efficient, standardized, synchronized, uniform fighting force in Afghanistan. The only problem was the enemy did not present himself in an orderly linear fashion on the battlefield. Instead, he hid among the population where only through trust and personal relationships with the people could the U.S. obtain the enemy's location. Otherwise, the enemy attacked U.S. forces on its terms and escaped before the U.S. could counter-attack. IEDs and landmines quickly became favorite weapons due to their ease of use, ease to create, and effective results.

The agent chooses whether to work or shirk based on his own preferences and how much he believes the principal will punish him for shirking. In Afghanistan 2006, the agent shirked under the principal's intrusive monitoring systems.[98] The principal intrusively monitored and controlled the agent using a wide variety of means. The agent shirked because his preference for mission accomplishment validated his effects on the ground. He knew the best way to "win" and strove for mission success. The principal did not value those "wins" the same and had a larger value for minimizing risk to force. The agent shirked anyway and knew the principal would punish him with increasingly restrictive and intrusive monitoring mechanisms. Overall, this was both ineffective and inefficient in this unconventional environment. Risk adversity places too many constraints on the U.S. Army organization, and in particular SF, to be effective in a UW environment. Commanders with no incentive to allow autonomy in their subordinates

[97] Rothstein, *Afghanistan*, 110.

[98] Feaver, *Armed Servants*, 96, 103, 118, 180. As a result, six possible outcomes emerge when an agent decides either to work or shirk under intrusive or non-intrusive conditions and expect punishment from the principal. First, the agent can work under a principal's non-intrusive monitoring systems. Second, the agent can shirk under non-intrusive monitoring systems and expect punishment from the principal. Third, the agent can shirk under non-intrusive monitoring systems and not expect punishment from the principal. Fourth, the agent can work under intrusive monitoring systems. Fifth, the agent can shirk under intrusive monitoring systems and expect punishment from the principal, and sixth, the agent can shirk under intrusive monitoring systems and not expect punishment from the principal. For example, during the Cold War, the military (agent) worked under the principal (civilian government) intrusive monitoring systems because the costs of monitoring were low and the agent expected punishment if it was caught shirking. Conversely, after the Cold War, during the Clinton Presidency, the military (agent) shirked under the principal's (civilian government) intrusive monitoring systems because the external environment changed and the agent perceived weakness within the principal, which created low expectations of punishment for shirking.

hinders innovation, initiative, adaptability, and flexibility, which are all critical to successful decentralized operations in a complex dynamic UW environment.

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IV. RECOMMENDATIONS AND CONCLUSIONS

A. SUMMARY

Special Forces (SF) have become prominent actors in the recent conflicts in Iraq and Afghanistan. Over twelve years of warfighting, Army SF have been called upon countless times to conduct complex operations (including, but not limited to, killing or capturing high-value targets) in support of conventional "battlespace" owners. While this has produced a generation of SF officers with arguably the most combat experience since the organization's inception, one disturbing ramification seems to be the over-centralization of command that has been engendered in the organization in the last decade. The purpose of this research was two-fold. The first purpose was to introduce a novel set of tools from microeconomic theory to analyze the roles of risk tolerance and degree of centralization in optimizing organizations to their environment. The second purpose was to use these tools to explore the evolution of centralization within SF over the course of the Afghanistan conflict. The result of the analysis is to provide recommendations for the SF enterprise in the wake of the Iraq and Afghanistan conflicts, in light of emerging guidance from senior military leadership.[99]

I applied the PA model to SF units in Afghanistan in 2001 and 2006. A longitudinal case study of the conflict in Afghanistan showed that in 2001 SF had a "long leash" to allow for autonomy and flexibility, which was necessary to succeed in an unconventional warfare (UW) environment. However, by 2006, the leash was shortened and more control measures were implemented. While a "short leash" may be appropriate for a conventional battlefield, it negatively impacts SF effectiveness in a UW environment.

Although the period in Afghanistan from 2002–2005 was extremely rich with various degrees of risk acceptance and risk tolerance by principals at all levels, the next

[99] See CDRUSASOC's vision for SF in "ARSOF 2022," which includes a focus on special warfare that centers on the UW mission.

time period considered within this thesis is 2006, because the author has personal experience in Afghanistan during this time period.

SF missions in Afghanistan in 2001 were conducted in an environment that was complex and unstable, which means there were many variables that affected the SF unit and those variables changed quickly. The SF unit was conducting its UW mission working with and through an indigenous force. There was a high level of risk tolerance by senior leaders (principals), which provided ample autonomy to the junior leaders on the ground (although they had no other choice). SF missions in Afghanistan in 2001 are an example of a "long-leash" operation.

SF missions in Afghanistan in 2006 were also conducted in an environment that was complex and unstable, with many variables affecting the SF unit and those variables changed very quickly. The SF unit was conducting a blend of its UW and FID mission. There was a low level of risk tolerance by senior leaders (principals) and all missions had to be approved at extremely high levels. Resources were centralized and controlled by a senior authority and junior leaders on the ground were not provided very much autonomy. SF missions in Afghanistan in 2006 are an example of a "short-leash" operation. It is important to note that although the control measures imposed by principals in 2006 were required based on the environment, I focused on the problems imposed on the agent's autonomy due to the principal's lack of incentive to allow decentralization. Afghanistan in 2006 highlights this aspect and it is used as a case study because most SF leaders today have been exposed to that environment and must be warned not to replicate it in a future UW campaign.

B. RECOMMENDATIONS

Risk aversion exists in SF due to principal agent problems. Principals are not incentivized to risk allowing subordinates autonomy. They are incentivized to implement control measures to ensure agent preferences align with their own preferences. When these preferences do not align, problems occur. Junior officer autonomy is reduced and senior officer control and risk aversion is increased. There are three main reasons that

induce the risk aversion of principals. Those three reasons are exogenous factors, organizational considerations, and organizational culture.

1. Exogenous Factors

The first reason, and perhaps the most important reason, why risk averse principals are induced to instill intrusive control measures over subordinates because they fear subordinate autonomy, is exogenous factors within the political nature of U.S. government and military. The political climate that exists in all levels of government creates risk aversion throughout the entire entity. The principal-agent relationship, and its problems, at the smallest unit level is a result of the principal-agent relationship at the highest levels of government. Presently, it is accepted by many that the benefit of some minor military activity is just not worth the cost of even one life. The effects of a military unit's action in Afghanistan are not tangible. People and decision makers just do not see it. The agent, who is on the ground and might see a benefit, only sees the benefit on a relative scale. The benefits to him might be great but they exponentially lose their value the higher up the chain of command; it just does not really matter above his level. For instance, during World War II, if a company of U.S. soldiers died trying to take a hill, that terrible lose would be considered a negative consequence of war. However, if a company of U.S. soldiers died in Afghanistan trying to take a hill, many decision makers, and most likely the general public, would question if that activity was worth losing an entire company. The reason for this is World War II provided many tangible objectives that were easy measurements on the road to victory. Each "hill" represented one more step toward defeating the enemy.

In Afghanistan, however, non-tangible factors like population acceptance of their own government are measures of success and progress. Since these non-tangible factors are so hard to measure, it is no surprise that the costs and benefits are so different in this environment. Therefore, since a "success" in Afghanistan is so minute, the risks to achieve that "success" are not worth it. The principals along the chain of command feel this way so they impose control measures to minimize risk because any "failure" has huge political ramifications, which could be a single death or capture of a U.S. service

member. This type of failure is considered catastrophic and way too dire to have any kind of benefit so a principal's utility function will make decisions that minimize risk and maintain the status quo. However, this choice creates stagnation and minimal progress to the war effort. The conflict will just go on and on until the U.S. decides to leave. The principal weighs the risk to force greater than the risk to mission. In the end, the agent on the ground, with a different perspective, can see tangible benefits from certain actions, and therefore might be incentivized to shirk to achieve those effects.

2. Organizational Considerations

The second reason that induces risk aversion among principals is organizational considerations, which include force deployment and chain of command. The choice of force when the U.S. applies military force in any conflict has huge implications for the risk tolerance of principals. For example, the U.S. wanted to assist the government of El Salvador in the 1980s as it struggled against a guerilla threat but the U.S. did not want to commit large numbers of soldiers to this conflict because of various political, bureaucratic, diplomatic, and administrative reasons. No senior principal wanted to risk defeat in El Salvador. Since risk aversion was high, the U.S. committed a very small number of U.S. Special Forces to advise the El Salvadorians. As it turns out, this decision helped, rather than hinder, the U.S. effort in El Salvador. Senior principals decide on the "force deployment" based on the outcomes they are trying to achieve. However, certain situations require certain organizations that are suited for that environment. If the wrong organization is sent into some environments, then the actions by that organization could exacerbate the problem instead of remedying it. If the U.S. had used one of its major infantry divisions in El Salvador, the results would have been completely opposite of the positive effects that SF achieved. The U.S. GPF "American way of war" would rely on massing firepower on a symmetrical enemy in a war of attrition. This would fail in that asymmetrical environment.[100]

[100] Hy S. Rothstein, "Less is More: the Problematic Future of Irregular Warfare in an Era of Collapsing States," *Third World Quarterly* 28, no. 2 (2007), 279.

Another aspect of the organizational reason for risk aversion in principals concerns multiple layers of the chain of command. Multiple layers create all kinds of principal agent problems. One example of this could be when trying to define the unity of effort as it pertains to U.S. objectives and efforts around the world. Every activity of each component of the U.S. military's Geographic Combatant Commands (GCC), along with each country's U.S. Embassy Security Cooperation Office (SCO), is tied to effects and objectives, as articulated from the president's National Security Strategy (NSS) to the GCC's Theater Campaign Plan. There is clear command guidance within these documents so all leaders know what an activity should be trying to achieve. However, a decision maker may not know how to choose the optimal activity in a resource constrained environment. A synchronization of effort and activity is now difficult. Definitions of goals and end states are usually broad and open, so it is difficult to determine which activity is best. Leaders usually try to evaluate each activity to see if is meeting those goals. To do that, one would need some type of measures of effectiveness. The leader would also have to determine how the interagency fits into DOD goals and plans. Far too often, the leader defers to the status quo of whatever activity that is ongoing and has not caused any "problems" for the previous leader. This ensures success for career and not necessarily finding the "best" value for our effort. This risk aversion is counter to a leader using initiative and ideas to drive to an end state or objective. They should not just follow status quo, they should critically think, but few incentives exist to do so. A leader might not want to be creative and innovative if it does not help his career. He will be less likely to see a problem and identify a solution that's "out of the box." Traditional risk management in the U.S. Army focuses on the risk to mission and risk to force, but those risks might not be as important as risk to career, because there seems to be zero tolerance in today's environment for failure.

3. Organizational Culture

The issues identified above that increase risk aversion of principals are not easy to fix. People are just responding to their exogenous political system, so it creates risk aversion. The strategic/political environment is to blame instead of the individual. However, it may be possible to fix the third reason for risk aversion in principals. The

third reason is organizational culture, which I describe as the current evaluation system utilized by the Army and the way command structures are implemented (either operational or administrative chains of command) create problems for principal-agent relationships.

a. Officer Evaluation System

The promotion and evaluation system is the same for the entire U.S. Army, regardless of any individual's unit's mission or purpose. Army Regulation (AR) 623–3 outlines the requirements for the senior officer (rater and senior rater) to evaluate his subordinate in an annual officer evaluation report (OER). Subjective variables are used in the evaluation so the officer can be objectively compared to his peers. How an officer's superior views him has a tremendous impact on his subjective rating, which impacts the way the Army views the officer in promotion and command selection boards. All officers are evaluated the same way for uniformity throughout the Army. While leaders will rate their subordinates based on how well they accomplish the unit's mission, the fact remains that all are subjective assessments based on how the officer's superiors view the officer's performance. In other words, how closely the officer's preferences match the principals. Furthermore, only the top 49% of rated officers can receive "above center of mass" (ACOM) evaluations. The rest must receive "center of mass" (COM) or "below center of mass." In SF, it is extremely difficult and rare for an officer with any COMs to be selected for battalion command.[101] Most often, an officer will receive the best mark on his report when his preferences align with his rater (superior). The rater and senior rater will evaluate the officer on how well he accomplish his duties according to his duty description, his performance, and how much potential he holds for the next higher rank and schooling requirement. This appraisal is set against his peers in the unit at that time; his rank among his peers that the rater and senior rater evaluate. If the rater's preferences do not align and the officer is perceived as shirking, then that officer will not receive a good evaluation and that report will be judged by a board of senior officers that

[101] U.S. Army Human Resources Command, "SF Branch Brief" (lecture, Naval Postgraduate School, Monterey, CA, February 19, 2014).

determine promotions and command selection lists. Subjective criteria are used for an objective evaluation system.

b. Multiple Command Structures

Another issue that exacerbates the problem is when an officer has multiple bosses, which is a feature of UW more than conventional operations. Multiple principals contribute to the principal-agent problem where the agent decides to put forth effort into a different task than the principal would prefer. When an agent has multiple principals, those principals might each have different preferences for the most important task they would like the agent to accomplish. The agent now faces a dilemma where he will be working for one principal but shirking for another. The agent chooses his action based on his own preferences and his own information perspective from his position. If the agent chooses to shirk with his "administrative control" ADCON principal, then his OER will reflect negatively.[102] If the agent chooses to shirk with his "operational control" OPCON principal, then the mission might be negatively impacted.[103] A negative OER will look poorly to the board who decides promotion and command selection. It will benefit the agent to work with his ADCON principal but it might not be best for the mission.

C. CONCLUSION

When making decisions, military leaders always assess risk and try to mitigate any risk to the mission or to the force. The Army says it wants innovative leaders but it rewards leaders who demonstrate effective control. In today's environment, any "failure" is weighed much heavier than any "success." This puts the U.S. at a disadvantage against various threats. To succeed in an unconventional environment, the reward system must identify the leader whose action results in mission accomplishment. The incentives must align with the expected outcomes.[104] Perhaps the system should reward abstract ideas like indirect long term engagement, rapport building, and interaction with host nation as

[102] U.S. Dept. of Defense. *Joint Publication (JP) 1–02 Department of Defense Dictionary of Military and Associated Terms* (Washington, DC: U.S. Government Printing Office, 2014), 3.

[103] U.S. Dept. of Defense, *JP 1–02*, 195.

[104] Kerr, "On the Folly of Rewarding A, While Hoping for B," 769–783.

evaluation measures but only when they result in mission success. This could put UW efforts as the most important and rewarded effort. Instead, the Army's reward structure is a mismatch to the behavior it wants from its soldiers, for example, such as when the reward system is based on number of enemy combatants killed among other things.[105]

In order to change the "fear to fail" culture in SF, we must change the incentive system. The "zero defects" culture must be eliminated, and a culture of innovation and autonomy must take its place. The principal must still provide the agent education, training, mentorship, and resources to succeed. The principal should focus on how to best support the agent with money, combat systems, support, etc., instead of direct control. When officers fail, their "chain of command" should not necessarily be fired. This, of course, rules out instances of gross misconduct, which result in needless or avoidable deaths. I do not advocate reckless behavior. Failure in this case is meant to be "political and/or strategic failure" where seniors are more embarrassed by the actions of the junior. Perhaps the best way to mitigate the risk of strategic failure is to be very accepting of risk at the tactical level. I think that others will accept this as long as their seniors will grant them the autonomy to do their mission and accomplish their tasks without a fear of failure. Once we get rid of the "fear to fail" dynamic, I think junior officer autonomy will increase, senior officer control will decrease, and this truly networked approach will make SF an even more effective organization to counter the threats it faces in this complex and dynamic environment where it exists.

[105] Clemmer, "Aligned Incentives," 2009.

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